SUNDY 宋服務

臻享幸福+

Sundy Service Group Co. Ltd
宋都服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 9608

ANNUAL REPORT 2020

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In the event of any inconsistencies between the English and Chinese text in this annual report, the English text shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. YU Yun (*Chairman of the Board*)
Ms. ZHU Jin (*Chief Executive Officer*)
Mr. ZHU Yihua (Appointed on 1 March 2021)
Mr. CHENG Huayong
Mr. SHEN Guangming (Resigned on 1 March 2021)

Independent Non-executive Directors

Mr. ZHANG Jingzhong
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

AUDIT COMMITTEE

Mr. LAU Kwok Fai Patrick (*Chairman*)
Mr. ZHANG Jingzhong
Mr. XU Rongnian

REMUNERATION COMMITTEE

Mr. ZHANG Jingzhong (*Chairman*)
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

NOMINATION COMMITTEE

Ms. YU Yun (*Chairman*)
Mr. ZHANG Jingzhong
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

JOINT COMPANY SECRETARIES

Ms. ZHANG Qisi
Mr. TSANG Ho Yin

AUTHORISED REPRESENTATIVES

Ms. ZHU Jin
Mr. TSANG Ho Yin

LEGAL ADVISOR

Stevenson, Wong & Co.
in association with AllBright Law Offices
39/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting
Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

COMPLIANCE ADVISER

Cinda International Capital Limited
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Hangzhou
Jiangcheng Sub-branch

China Merchants Bank
Zhijiang Sub-branch

COMPANY'S WEBSITE

http://songduwuye.com

STOCK CODE

9608

LISTING DATE

18 January 2021

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

127, Hanghai Road
Jianggan district
Hangzhou
Zhejiang province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Crickets Square
Hutchins Drive
P.O.Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

FINANCIAL SUMMARY

The following is a summary of the results and assets and liabilities of Sundy Service Group Co. Ltd (the "**Company**") and its subsidiaries (collectively, the "**Group**") for each of the years ended 31 December 2017, 2018, 2019 and 2020.

RESULTS

		For the year ended 31 December			
	Note	2017	2018	2019	**2020**
Revenue (*RMB'000*)		83,960	132,950	222,474	**256,703**
Annual growth %		N/A	58.3%	67.3%	**15.4%**
Gross profit (*RMB'000*)		24,975	37,576	64,869	**77,858**
Annual growth %		N/A	50.5%	72.6%	**20.0%**
Gross profit margin	(1)	29.7%	28.3%	29.2%	**30.3%**
Annual growth percentage points ("**p.p**")		N/A	-1.4%	0.9%	**1.1%**
Profit for the year (*RMB'000*)		13,965	20,889	35,236	**32,852**
Annual growth %		N/A	49.6%	68.7%	**-6.8%**
Profit margin	(2)	16.6%	15.7%	15.8%	**12.8%**
Annual growth p.p		N/A	-0.9%	0.1%	**-3.0%**
Profit attributable to equity shareholders of the Company (*RMB'000*)		13,965	20,889	35,142	**32,658**
Annual growth %		N/A	49.6%	68.2%	**-7.1%**

Notes:

(1) Gross profit margin is calculated as gross profit divided by revenue.

(2) Profit margin is calculated as profit for the year divided by revenue.

ASSETS AND LIABILITIES

	Note	As at 31 December			
		2017	2018	2019	**2020**
Cash and cash equivalents *(RMB'000)*		68,546	65,864	137,559	**192,195**
Current assets *(RMB'000)*		90,413	133,977	184,889	**252,520**
Total assets *(RMB'000)*		102,495	170,689	215,658	**281,161**
Current liabilities *(RMB'000)*		60,033	157,815	128,263	**163,880**
Total liabilities *(RMB'000)*		76,713	162,798	131,719	**163,888**
Total equities attributable to equity shareholders of the Company *(RMB'000)*		25,782	7,891	83,345	**115,995**
Current ratio	(3)	1.51	0.85	1.44	**1.54**
Gearing ratio	(4)	N/A	N/A	N/A	**N/A**

Notes :

(3) Current ratio is calculated as current assets divided by current liabilities.

(4) Gearing ratio is calculated as net debt divided by total equity. Gearing ratio was not applicable as the Company recorded a net cash position as at 31 December 2017, 2018, 2019 and 2020.

CHAIRMAN'S STATEMENT

To all shareholders,

Thanks for your trust and support to the Group. I am pleased to present our audited annual results for the year ended 31 December 2020 (the "**Reporting Period**") on behalf of the board (the "**Board**") of directors (the "**Directors** ") of the Company.

2021 is the first year of listing of the Company. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 January 2021 (the "**Listing**") and raised net proceeds (after deducting the Listing expenses) of approximately HK$133.2 million, which means that the business development, competitive advantages and future prospects of the Company were recognised in the international capital market. The Group achieved stable performance growth during the Reporting Period. With the continuous development in the Yangtze River Delta region as the basis, the Group actively expanded presence across the country. It newly established three branches/subsidiaries in Guigang, Liuzhou and Jilin out of the Yangtze River Delta region during the Reporting Period. The Group is devoted to providing high-quality property management services. On the one hand, it continuously enhanced the value of its service brand on residential/non-residential projects. On the other hand, it diversified the types of projects under management. Besides our original residential properties, apartments, villas, office buildings, industrial parks, hospital properties, we expanded to hotels, educational zones and other service sectors during the Reporting Period, further expanding the scope of influence of the Group's brand management. As at 31 December 2020, the gross floor area ("**GFA**") under management of the Group reached 8.2 million sq.m., representing a year-on-year increase of 39.0%. The total contracted GFA reached 11.3 million sq.m. as at 31 December 2020. The Group will firmly follow the leapfrogging development trend of the industry. While achieving solid and high growth in the principal business, the Group will constantly transcend and keep pace with the times to achieve both quantitative and qualitative breakthroughs.

2020 also witnessed the global fight against the COVID-19 Epidemic (the "**Epidemic**"). The outbreak of the Epidemic occurred in the People's Republic of China (the "**PRC**") in January 2020 and property management companies were pushed to the frontline of the battle against the Epidemic. The Group responded rapidly after the outbreak of the Epidemic and introduced emergency plans on all projects, holding the last kilometer bottom line in preventing the Epidemic in communities. The project of the Future Community in Caihe Street undertaken by the Group in the end of 2019 experienced severe challenges during the Epidemic. The deployment on the Epidemic prevention and control was essential because the 36 old communities involves over 80,000 permanent residents and 71 community gateways as well as the intricate and complicated community management relationship. The Group braved the difficulties and forged ahead. It developed the working capability on resources integration and coordinated operation in a short period of time, achieving the success with "zero suspected case", "zero confirmed case" and "zero case out of management". The Working Committee of Caihe Street in Jianggan District and the Caihe Street Office granted the title of "Battle Pioneer in Fighting the Epidemic (戰疫先鋒)" to the Group in August 2020 to recognise the outstanding contribution of the Group during the outbreak of the Epidemic. The Group has shared the same destiny with property owners will never withdrawn during the Epidemic.

On the other hand, various favorable policies were released in 2020. Ten ministries and commissions, including the Ministry of Housing and Urban-Rural Development, jointly issued the Notice on Strengthening and Improving the Residential Property Management《關於加強和改進住宅物業管理工作的通知》(the "**Notice**") at the end of 2020, speeding up the development of the property service industry and promoting the high-quality and diversified upgrading of property services to meet the increasing aspiration of the public for better living conditions. The Notice encouraged property service enterprises to expand the coverage of property management and carry out unified management on old communities under management. The Group explored the renovation of old communities in Caihe Street in 2019 and undertook the Future Community Pilot Plan on the first old community in Jianggan District, Hangzhou City. It currently has 36 old communities under management with a GFA of 1.37 million sq.m., actively contributing to the improvement of the appearance of urban old communities. The Notice supports mergers and reorganisations of property service enterprises to promote the scaling up and branding of property services and improve the overall services. The Group obtained additional supports from the capital market after the Listing and boosted the strength in external business expansion, as well as acquisitions and mergers. We will follow the trends and seize opportunities in the industrial environment with high growth to achieve leapfrogging development. The Notice also mentions that property service enterprises should actively promote the development of the life service industry and improve smart property management services and intelligent management of facilities and equipment. It encourages qualified property service enterprises to expand to elderly care, childcare, housekeeping, culture, health, housing brokerage, express delivery and other services and explore the "Property Services + Life Services" model to meet the diversified level-living and life demands of residents. During the Reporting Period, the Group set up a back-end centralised control platform to achieve module upgrade and personnel optimisation. Meanwhile, the Group reached an agreement with a software development company in 2020 to develop and build property-service applications, so as to implement the linkage of online platforms and offline value-added services and bring new drivers to business growth.

Looking forward, the Group will consolidate its principal business, actively explore cooperation with high-quality branded properties and expand the scale of brand services. Meanwhile, the Group will closely comply with relevant policies, vigorously undertake social responsibilities, develop business characteristics in community development and renovation of old communities in the future and strive to be the industry benchmark. The Group will consistently upgrade and optimise value-added property services, explore smart and intelligent property services and grasp opportunities to achieve diversified business development and create more value for communities and property owners and more returns to shareholders!

Yu Yun
Chairman of the Board
Hangzhou, 31 March 2021

BUSINESS REVIEW

The Company was successfully listed on the Main Board of the Stock Exchange on 18 January 2021 (the "**Listing Date**"). After deducting the Listing expenses, the net proceeds raised from the Listing were approximately HK$133.2 million.

The Group is a reputable integrated property management service provider in the property management industry in Zhejiang province. Established in Hangzhou in 1995, the Group has over two decades of experience in the property management service industry in the PRC. According to China Index Academy, the Group was ranked 81st, 71st, 65th and 56th among the "Top 100 Property Management Companies in China" (中國物業服務百強企業) in terms of overall strength of property management in 2017, 2018, 2019 and 2020, respectively. The Group was awarded "China's Property Industry AAA Credit Enterprise* (中國物業行業AAA 級信用企業)" by Chinese Enterprise National Quality Credit (Beijing) Credit Assessment Centre* (中企國質信(北京)信用評估中心) in 2017, "AAA Class Integrity Management Demonstration Unit (AAA 級誠信經營示範單位)" and "AAA Class Quality Service Unit (AAA 級質量服務信譽單位)" by Changfeng International Credit Rating Co., Ltd. (長風國際信用評價(集團)有限公司) in 2018. In 2019, the Group participated in the management of 36 dilapidated urban areas in Caihe Street, Jianggan District by participating in the Future Community Pilot Plan in Jianggan District, Hangzhou City. In 2020, the Group was honored "Gold Butler (金牌管家)" and "Battle Pioneer in Fighting the Epidemic (戰疫先鋒)" by the government sub-district office, and was named the "Top 5 Urban Service Projects of China's Property Enterprises in 2020 (2020 年中國物業企業城市服務項目五強)" by EH Consulting (億翰智庫) and Jiahe Jiaye Property Service Research Institute, in recognition of the Group's contributions to the city's future community construction.

As at 31 December 2020, the Group had nine subsidiaries and 18 branches covering 17 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 46 properties, including 27 residential properties and 19 non-residential properties, with a total GFA under management of approximately 8.2 million sq.m. and a total contracted GFA of 11.3 million sq.m. The Group firmly strived to achieve its business objectives of steady expansion of the management area, actively carried out third-party project expansion, reduced the proportion of related parties, and achieved scale growth through multiple channels.

The table below sets forth the changes in the GFA under management and number of managed projects of the Group as at 31 December 2019 and 2020:

	As at 31 December	
	2020	2019
GFA under management *('000 sq.m.)*	**8,152**	5,948
Number of managed projects	**46**	29

For FY2020, the Group's revenue increased by RMB34.2 million to RMB256.7 million, among which, property management services was RMB128.2 million, value-added services to non-property owners was RMB69.1 million, community value-added services was RMB42.5 million and other businesses was RMB16.9 million.

The Group's revenue was generated from four business lines: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) other businesses.

PROPERTY MANAGEMENT SERVICES

Property management services of the Group primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services to residential properties and non-residential properties. As at 31 December 2020, the number of the managed projects reached 46 properties, with additional 17 properties newly entered into (including 7 properties from independent third-party property developers) as compared with 31 December 2019. To expand the business scope, the Group established six branches in Shanghai, Shaoxing, Kunshan, Guigang, Taizhou and Liuzhou and two subsidiaries in Jilin and Ningbo during the Reporting Period. To diversify business types, the Group utilised the strength in property management to residential properties to increase the brand value. The revenue of properties management services to residential properties increased from RMB59.0 million in FY2019 to RMB85.1 million in FY2020, representing an increase of 44.2%, which was much higher than the growth of 15.4% in total revenue in FY2020. On the other hand, during the Reporting Period, the Group newly entered into agreements in relation to property management services to hotel and educational zone to build experience in different types of properties. As a result of the Group's effort to reduce related party transactions, the GFA under management of properties developed by independent third-party property developers reached 3.4 million sq.m. as at 31 December 2020 from 2.6 million sq.m. as at 31 December 2019, representing a year-on-year increase of 30.8%; revenue generated from the provision of property management services to properties developed by independent third party amounted to RMB38.3 million in FY2020, representing an increase of 378.8% as compared with RMB8.0 million in FY2019. The Group strived to provide outstanding services to property owners and residents under the concept of "expanding the scale, gaining a foothold in the principal business, stepping into the market".

The table below sets forth a breakdown of revenue by business line of the Group in FY2020 and FY2019:

	For the year ended 31 December			
	2020		2019	
	(RMB'000)	**%**	(RMB'000)	%
Property management services	**128,183**	**49.9**	95,659	43.0
Value-added services to non-property owners	**69,129**	**26.9**	51,548	23.2
Community value-added services	**42,462**	**16.6**	54,587	24.5
Other businesses	**16,929**	**6.6**	20,680	9.3
Hotel business	**15,011**	**5.8**	18,570	8.3
Long-term rental apartment business	**1,918**	**0.8**	2,110	1.0
Total	**256,703**	**100.0**	222,474	100.0

The table below sets forth the total revenue from property management for FY2019 and FY2020 and GFA under management by type of properties as at 31 December 2019 and 2020:

	As at/for the year ended 31 December							
	2020				2019			
	Revenue		**GFA under management**		Revenue		GFA under management	
	(RMB'000)	**%**	**('000 sq.m.)**	**%**	(RMB'000)	%	('000 sq.m.)	%
Residential properties	**85,095**	**66.4**	**6,026**	**73.9**	58,958	61.6	4,206	70.7
Non-residential properties	**43,088**	**33.6**	**2,126**	**26.1**	36,701	38.4	1,742	29.3
Total	**128,183**	**100.0**	**8,152**	**100.0**	95,659	100.0	5,948	100.0

The table below sets forth the breakdown of the total revenue from property management for FY2019 and FY2020 and GFA under management by type of property developers as at 31 December 2019 and 2020:

	As at/for the year ended 31 December							
	2020				2019			
	Revenue		**GFA under management**		Revenue		GFA under management	
	(RMB'000)	**%**	**('000 sq.m.)**	**%**	(RMB'000)	%	('000 sq.m.)	%
Properties solely developed and co-developed by Sundy Land Group*(Note 1)*	**89,919**	**70.1**	**4,797**	**58.8**	87,695	91.7	3,352	56.4
Properties developed by independent third-party property developers	**38,264**	**29.9**	**3,355**	**41.2**	7,964	8.3	2,596	43.6
Total	**128,183**	**100.0**	**8,152**	**100.0**	95,659	100.0	5,948	100.0

Note 1: Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司) and its subsidiaries.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Value-added services to non-property owners covered development, construction, design and other processes of properties, which were mainly provided to non-property owners such as real estate developers. During the Reporting Period, the Group recorded an increase of 34.2% from RMB51.5 million in FY2019 to RMB69.1 million in FY2020.

The Group benefited from the long-term cooperation with Sundy Land Group to acquire projects for value-added services to non-property owners. As at 31 December 2020, the number of the reserved projects was 19 properties, representing a total GFA of 3.1 million sq.m. In the meantime, the Group had acquired five new projects from independent third-party property developers during the Reporting Period by proactively soliciting independent third-party customers.

COMMUNITY VALUE-ADDED SERVICES

The Group actively developed community value-added services and created diversified life service scenarios based on the living needs of residents. During the Reporting Period, the Group set up a centralised control center to achieve module upgrade and personnel optimisation and hence improved the efficiency of operation and management. At the same time, the Group cooperated with a software development company in 2020 to develop and build life-service applications, so as to combine centralised control center with online platforms to upgrade various value-added service management systems and increase service contents.

During the Reporting Period, the revenue from community value-added services reached RMB42.5 million, which was mainly from property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services.

OTHER BUSINESS

Hotel Business

The Group commenced the operation of Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) through its operating subsidiary, Hangzhou Sundy Jiahe Hotel Management Co., Ltd.* (杭州宋都嘉和酒店管理有限公司) ("**Sundy Jiahe**"). Revenue from hotel business for FY2020 reached RMB15.0 million, which was primarily generated from hotel room charge, food services and sales of personal care products.

Long-term rental apartment business

The Group conducted long-term rental apartment business in Hangzhou through its operating subsidiary, Sundy Jiahe. Its business model involved renting the apartments from the landlords and then sub-letting those apartments to the tenants. In FY2020, the revenue from long-term rental apartment business reached RMB1.9 million.

In FY2020, the Group entered into agreements with Sundy Land Group, pursuant to which the Group would provide apartment management services for properties owned by Sundy Land Group. The business model will focus on centralised apartment management and the revenue will be primarily generated from a fixed percentage of total revenue from the long-term rental apartment business.

PROSPECTS

- The Group strives to build its brand as the leading property service provider based in the Yangtze River Delta region, and plans to further expand its business scale, increase its market share and bolster its geographic presence across the Yangtze River Delta region through multiple channels.

- The Group plans to participate in the improvement of the living environment and property management level in dilapidated urban areas through Future Community Pilot Plan driven by government policies, to expand the management scale and income base, and enhance the value of its brand.

- The Group also intends to utilise advanced technology to create a smart community to improve its operational efficiency, increase its cost effectiveness and customers' satisfaction rates.

- The Group will continue to diversify the type of services and increase the scope of its community value-added services, to cater for various needs of its customers and to create additional value.

At the end of 2020, the Notice on Strengthening and Improving the Residential Property Management《關於加強和改進住宅物業管理工作的通知》was issued, which stressed on the importance of unified management on old communities and diversifying the life service industry. The Group will strive to deepen the cooperation with local government in relation to Future Community Pilot Plan so as to expand its scale. The management of the Company also believes that participating in renovation of old communities will build up a good reputation in the future and establish a distinctive path of the Group for business expansion. Property management service companies provide various services relating to residents' daily life, which is an important role of the society in China. The Company has been aware of the significance of life service industry and strived to enrich the service scope by expanding its business scope in the provision of decoration, renovation, repair and maintenance, gardening and housekeeping services. The Group expects that the business will see sustainable growth.

FINANCIAL REVIEW

Revenue

In FY2020, the Group's revenue amounted to RMB256.7 million, representing a year-on-year increase of 15.4% as compared to RMB222.5 million in FY2019.

Property management services: Property management services primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services. The portfolio of the Group's managed properties comprises residential properties and non-residential properties. The Group recorded revenue of RMB128.2 million in FY2020, representing a year-on-year increase of 34.0% as compared to RMB95.7 million in FY2019, accounting for 49.9% of the Group's total revenue in FY2020, which is the main source of revenue for the Group. The rapid growth in revenue was mainly attributable to the increase in the GFA under management and the increase in number of projects under management of the Group.

Value-added services to non-property owners: Value-added services to non-property owners are a range of value-added services the Group provides to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties. The Group recorded revenue of RMB69.1 million in FY2020, representing a year-on-year increase of 34.2% as compared to RMB51.5 million in FY2019, accounting for 26.9% of the Group's total revenue in FY2020. The increase in revenue was mainly attributable to the increase in new projects for consulting services, sale assistance services and pre-delivery services.

Community value-added services: Community value-added services are a spectrum of community value-added services the Group provides to customers, primarily property owners and residents, including property repair and maintenance, waste cleaning, utility fee collection, remodeling and decoration and community space services. The Group recorded revenue of RMB42.5 million in FY2020, representing a year-on-year decrease of 22.2% as compared to RMB54.6 million in FY2019, accounting for 16.6% of the Group's total revenue in FY2020. The decline in revenue from community value-added services was mainly due to the decrease in demand of services from property owners as a result of the decreasing demand of standardised remodelling and decoration services of bare shell property units because property developers are encouraged by the Zhejiang government to develop and sell furnished property units.

Other businesses: Other businesses include hotel business and long-term rental apartment business. The Group recorded revenue of RMB16.9 million in FY2020, representing a year-on-year decrease of 18.4% as compared to RMB20.7 million in FY2019, accounting for 6.6% of the Group's total revenue in FY2020. The decline in revenue from other businesses was mainly attributable to the decrease in revenue from hotel business caused by the decrease in customers as a result of measures taken by the PRC government to combat the Epidemic.

Cost of sales

During the Reporting Period, the Group's cost of sales increased by 13.5% from RMB157.6 million in FY2019 to RMB178.8 million in FY2020, mainly due to the increase in projects under management and staff as a result of business expansion.

Gross profit and gross profit margin

Based on the above factors, during the Reporting Period, the Group's gross profit increased by 20.0% from RMB64.9 million in FY2019 to RMB77.9 million in FY2020. The Group's gross profit margin increased by 1.1 percentage point from 29.2% in FY2019 to 30.3% in FY2020, mainly due to further increase in gross profit margin of community value-added services.

Gross profit of property management services increased by 33.8% from RMB20.1 million in FY2019 to RMB26.9 million in FY2020, and gross profit margin in FY2020 and FY2019 remained stable at 21.0%.

Gross profit of value-added services to non-property owners increased by 34.7% from RMB19.6 million in FY2019 to RMB26.4 million in FY2020, and the gross profit margin increased by 0.1 percentage point to 38.2% in FY2020 as compared to FY2019.

Gross profit of community value-added services increased by 1.4% from RMB22.2 million in FY2019 to RMB22.5 million in FY2020, and the gross profit margin increased by 12.5 percentage points from 40.6% in FY2019 to 53.1% in FY2020. The increase was mainly due to the change of business structure of community value-added services.

Gross profit of other businesses decreased from RMB3.0 million in FY2019 to RMB1.9 million in FY2020, and the gross profit margin decreased from 14.4% in FY2019 to 11.5% in FY2020. The decline was mainly attributable to the decrease in revenue from hotel business caused by the decrease in number of customers as a result of the Epidemic.

Other revenue

During the Reporting Period, other revenue of the Group was RMB4.2 million, representing an increase of 500.0% as compared to RMB0.7 million in FY2019, which was mainly due to additional government grants to property management companies for prevention and control of the Epidemic.

Selling and marketing expenses

The Group's selling and marketing expenses remained stable in both FY2020 and FY2019.

Administrative expenses

During the Reporting Period, the Group's administrative expenses increased by 88.5% from RMB19.2 million in FY2019 to RMB36.2 million in FY2020, mainly due to the Listing expenses of RMB19.0 million incurred in FY2020, representing an increase of 118.4% as compared with RMB8.7 million in FY2019. Excluding the Listing expenses, administrative expenses in FY2020 and FY2019 were RMB17.2 million and RMB10.5 million, representing an increase of 63.8%, mainly due to the growth of related labor costs and office expenses as a result of business expansion and increase of number of staff as well as the increase in service fees of intermediaries.

Impairment loss on trade receivables

During the Reporting Period, the Group's impairment loss on trade receivables increased from RMB0.5 million in FY2019 to RMB2.6 million in FY2020, mainly due to the growth of business and an increase in allowance on bad debts as a result of an increase of trade receivables.

Net finance income

During the Reporting Period, the Group's net finance income increased from RMB0.5 million in FY2019 to RMB0.9 million in FY2020, mainly due to the decrease in interest expenses on contract liabilities.

Share of profits and losses of a joint venture

During the Reporting Period, the Group recorded share of profits of a joint venture, Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司), of RMB0.3 million, representing a year-on-year decrease of 66.7% as compared with the profit of RMB0.9 million in FY2019, mainly due to the decline in performance of the said joint venture during the Reporting Period.

Profits before tax

During the Reporting Period, the Group's profits before tax was RMB43.5 million, representing a decrease of 6.5% from RMB46.5 million in FY2019, mainly due to the Listing expenses of RMB19.0 million during FY2020, representing an increase of 118.4% as compared with RMB8.7 million in FY2019. Excluding the Listing expenses, profits before tax in FY2020 was RMB62.5 million, representing an increase of 13.2% compared with RMB55.2 million in FY2019, mainly due to the increase in gross profit of RMB13.0 million.

Income tax

During the Reporting Period, the Group's income tax expenses decreased by 5.6% from RMB11.3 million in FY2019 to RMB10.7 million in FY2020, mainly due to the decrease of the Group's profit before tax for the year, leading to corresponding decrease in income tax.

Profit for the year

During the Reporting Period, the Group's profit for the year was RMB32.9 million, representing a decrease of 6.5% from RMB35.2 million in FY2019, mainly due to the Listing expenses of RMB19.0 million during the year, which lowered the profit for the year. Excluding the Listing expenses and after-tax impact, the adjusted net profit of the Group for FY2020 was RMB47.1 million, representing an increase of 12.9% from RMB41.7 million for FY2019.

Current assets, financial resources, current ratio and gearing ratio

The Group maintained satisfactory financial performance in FY2020. As at 31 December 2020, current assets were RMB252.5 million, representing an increase of 36.6% as compared with RMB184.9 million as at 31 December 2019.

As at 31 December 2020, the Group's cash and cash equivalents were RMB192.2 million, representing an increase of 39.7% as compared with RMB137.6 million for FY2019. This was mainly due to the increase of net cash inflow from operating activities. The current ratio (calculated by dividing current assets by current liabilities) of the Group increased from 1.44 times as at 31 December 2019 to 1.54 times as at 31 December 2020.

As at 31 December 2020, the total equity of the Group was RMB117.3 million, representing an increase of 39.8% as compared with RMB83.9 million as at 31 December 2019. This was mainly due to the growth in net profit and retained earnings. The Group maintained at a net cash position as at 31 December 2019 and 2020.

Property, plant and equipment

As at 31 December 2020, the property, plant and equipment of the Group amounted to RMB22.3 million, representing a decrease of 6.7% as compared with RMB23.9 million as at 31 December 2019, mainly due to the increase in accumulated depreciation.

Capital structure

There has been no change in capital structure of the Company during the year ended 31 December 2020. The capital of the Company comprises ordinary shares and other reserves.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2020 and 2019.

Pledged assets

The Group did not have any pledged assets as at 31 December 2020 and 2019.

Trade and other receivables

As at 31 December 2020, trade and other receivables amounted to RMB51.1 million, representing an increase of 51.6% as compared with RMB33.7 million as at 31 December 2019, mainly due to business expansion and increase of revenue, leading to increase in corresponding trade receivables.

Trade and other payables

As at 31 December 2020, trade and other payables amounted to RMB125.6 million, representing an increase of 67.9% as compared with RMB74.8 million as at 31 December 2019. This was mainly due to the increase in third-party outsourcing fees as a result of business expansion.

Future plans for substantial investments or capital assets

As stated in the prospectus of the Company dated 31 December 2020 (the "**Prospectus**"), approximately 48% (approximately HK$63.9 million) of the net proceeds from the Listing is used to acquire, invest in, or form strategic alliance with property management companies related to property management services, approximately 12% (approximately HK$16.0 million) of the net proceeds from the Listing is used to invest in and expand the services related to the Future Community Pilot Plan, approximately 15% (approximately HK$20.0 million) of the net proceeds from the Listing is used to explore, diversify and expand its community value-added services. From the Listing Date to the date of this annual report, the Company has been seeking potential opportunities in the market in a diligent and cautious manner. The Group will also continue to actively explore acquisition and investment targets of asset management platforms and such part of the proceeds will be effectively utilised if any of the targets is satisfied with future plan of the Group.

Human resources

As at 31 December 2020, the Group employed a total of 694 employees. During the Reporting Period, the staff costs of the Group were RMB55.3 million (2019: RMB49.8 million).

Significant investments, material acquisitions and disposals of subsidiaries and associated companies

The Company did not have any significant investments, material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

Foreign exchange risk exposure

The Group mainly operates its business in the PRC, and most of its business are conducted in RMB, and its exposure to foreign exchange risks is limited. However, as the proceeds from the Listing are dominated in Hong Kong dollar, the depreciation or appreciation of the Hong Kong dollar and interest rate adjustments will affect the performance of the Group. Therefore, the Group will closely monitor the exchange rate risks and interest rate risks involved, actively discuss foreign exchange hedging solutions with major banks, and use financial instruments to counter the risks involved when necessary.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. The Company was not a listed company for the year ended 31 December 2020 and hence, it did not follow the requirements in the code provisions related to corporate governance. From the Listing Date to the date of this annual report, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company had made specific enquiry and each Director confirmed that they have complied with the Model Code from the Listing Date to the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this annual report.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules since the Listing Date and up to the date of this annual report. The Company maintained the minimum level of public float of 25% of its total issued share capital.

EVENTS AFTER THE REPORTING PERIOD

The following events happened subsequent to the end of the Reporting Period:

i) On 18 January 2021, the Company issued 800,000,000 shares with a par value of US$0.00001 each at an offer price of HK$0.25 per share through an initial public offering. The aggregated net proceeds from this issuance was approximately HK$133.2 million after deducting the Listing expenses.

ii) On 1 March 2021, the Board announced that Mr. Shen Guangming resigned as the executive Director due to his other business commitments; and Mr. Zhu Yihua was appointed as the executive Director and executive officer（執行總裁）of the Company.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing intended to be applied in accordance with the section headed "Future Plans and Use of Proceeds" in the Prospectus and with details as set out as follows:

- approximately 48% to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, particularly Hangzhou and other cities where the Group considers to be appropriate based on the market needs. As of the date of this annual report, this amount has not been utilised yet;

- approximately 12% to invest in and expand the services related to the Future Community Pilot Plan, which primarily involves the provision of property management services and various types of community value-added services. As of the date of this annual report, this amount has not been utilised yet;

- approximately 15% to create a smart community through utilisation of advanced technology, such as the use of electronic patrolling systems and smart accesses, introduction of intelligent products and services and utilisation of digital equipment; and develop a mobile application for property owners and residents. As of the date of this annual report, this amount has not been utilised yet;

- approximately 15% to explore, diversify and expand its community value-added services, including move-in and move-out services, household services, home cleaning and laundering services, childcare, babysitting and elderly care services for property owners and residents; and expand other businesses, in particular long-term rental apartment business. As of the date of this annual report, this amount has not been utilised yet; and

- approximately 10% to provide funding for its working capital and other general corporate purposes. As of the date of this annual report, 8.3% of the amount has been used, mainly for payment of related intermediary service fees after the Listing.

EXECUTIVE DIRECTORS

Ms. Yu Yun (俞昀) ("**Ms. Yu**"), aged 26, is an executive Director and the Chairman of the Board. She was appointed to the Board on 15 December 2019 and was designated as an executive Director on 15 January 2020. She is primarily responsible for overall strategic planning and overall management of the Group, overseeing our business operations, finance and human resources. Ms. Yu has been a director of Hangzhou Sundy Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) ("**Sundy Property**") since March 2018. She has also served various positions with other members of the Group as follows:

Company name	Position	Period of service
HUI DU GROUP CO. LTD (汇都集团有限公司)	Director	Since December 2019
RONG DU GROUP CO. LIMITED (荣都集团有限公司)	Director	Since December 2019
Hangzhou Xingrun Enterprise Management Co., Ltd.* (杭州興潤企業管理有限公司)	Executive director and general manager	Since January 2020
Hangzhou Lusong Property Service Co., Ltd.* (杭州綠宋物業服務有限公司) ("**Lusong Property**")	Director	Since May 2019

From August 2015 to July 2016, Ms. Yu apprenticed as an intern at Sundy Property and rotated to various departments with the purposes of understanding and familiarising herself with the PRC property management industry and the Group's operations. In particular, from 1 August 2015 to 31 December 2015, she rotated to the general management department, finance department and engineering department. Her work responsibilities in the abovementioned departments include coordinating internal and external communications and public relations management; assisting in staff recruitment management work, participating in talent building and talent pool work; assisting in budget and accounting management; and assisting in the evaluation of engineering suppliers and procurement of engineering materials. From 1 January 2016 to 31 July 2016, she was assigned to the quality control department, maintenance department and market development department on a rotational basis. Her work responsibilities in the abovementioned departments include assisting in the inspection and assessment of the property service treatment for projects; assisting in collating property-related issue reports by the property owners; organising preliminary investigations and demonstrations of potential projects, and assisting in drafting property management related documents; and assisting in drafting bidding contracts and documents, and participating in the bidding process for new projects.

As a director of Sundy Property since March 2018, Ms. Yu has committed substantial time and attention to Sundy Property and has been responsible for, among others, overseeing the business operations of Sundy Property. Ms. Yu has also been actively involved in the Group's business since then. For instance, she has been involved in several property management service projects, including Daqishan County* (大奇山郡), a residential property ("**Daqishan Project**"), Dongjun International Phase III* (東郡國際三期), a residential property ("**Dongjun Project**") and Hangzhou Gate* (杭州之門), a non-residential property ("**Hangzhou Gate Project**"). Ms. Yu was generally responsible for overall operational management, overseeing and control of the expenditure of each of the project teams, and human resource management. Ms. Yu was in charge of supervising and leading each of the project teams to ensure the timely and orderly completion of each of the projects. For the Daqishan Project, Ms. Yu held overall responsibility for the performance and operating results of the project. She chaired departmental meetings to assess the work progress of each of the departments, and reviewed and delivered weekly reports to the head office of the Group. She was also responsible for increasing the overall technical standards of the project staff and enhancing service quality. For the Dongjun Project, Ms. Yu established and improved the internal management system of the project team. She supervised the project staff's compliance with the established rules and operation manuals to ensure the orderly development of the project work. She was also responsible for the overall operations of the management office and was in charge of formulating and reviewing the monthly work plan, presiding over the regular work meetings and overseeing internal financial matters. For the Hangzhou Gate Project, Ms. Yu held overall responsibility for the effective execution of the plans and tasks under the project. In particular, she supervised and led the implementation of various marketing and promotional activities to develop new markets, seek new clients and expand business volume. She was also in charge of the coordinating the deployment of personnel and resources for the marketing activities.

From August 2016 to August 2017, Ms. Yu was a personnel of the human resources recruitment team of Lufax (Shanghai) Technology Services Co., Ltd.* (陸金所(上海)科技服務有限公司) (currently known as Weikun (Shanghai) Technology Services Co., Ltd.* (未鯤(上海)科技服務有限公司)), an integrated online wealth management platform company, where she was responsible for management work of recruitment work. From March 2018 to December 2019, Ms. Yu was the general manager and executive director of Shanghai Yongdu Enterprise Management Co., Ltd.* (上海湧都企業管理有限公司), a corporate advisory services company, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company. From March 2018 to December 2019, Ms. Yu was the executive director and general manager of Hangzhou Yuanqi Enterprise Management Co., Ltd.* (杭州源祺企業管理有限公司), a corporate advisory services company, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company.

Ms. Yu obtained a bachelor of science in business administration degree from the University of Southern California in May 2015.

Ms. Yu is the daughter of Mr. Yu Jianwu, the Controlling Shareholder of the Company.

Ms. Zhu Jin (朱瑾) ("**Ms. Zhu**"), aged 48, is an executive Director and chief executive officer. She was appointed to the Board on 15 December 2019 and was designated as an executive Director on 15 January 2020. She is primarily responsible for overall strategic planning and overall management of the Group.

Ms. Zhu has over 12 years of experience in property management. She joined Sundy Property in August 2007 as the legal representative and executive director, and has been responsible for supervising operations of property management projects since then. From August 2007 to December 2016, she was also a manager of Sundy Property, primarily responsible for its daily operation and management. In March 2018, Ms. Zhu was also appointed as the chairman of the board of Sundy Property. In addition to the said responsibilities, she has also been responsible for overall strategic planning, overall management, operation and business development since then. She has also served various positions with other members of the Group as follows:

Company name	Position	Period of service
Hangzhou Songdu Exhibition Co., Ltd.* (杭州頌都會展有限公司)	Supervisor	From June 2016 to September 2017
	Executive director and general manager	Since September 2017
Sundy Jiahe	Executive director and general manager	Since January 2017
Hangzhou Sundy Real Estate Agency Co., Ltd* (杭州宋都房地產代理有限公司)	Executive director	Since March 2017
Lusong Property	Chairman of the board of directors	Since May 2019
Hangzhou Hongdu Information Engineering Co., Ltd.* (杭州鴻都信息工程有限公司)	Executive director and general manager	Since August 2019
Hangzhou Herui Living Service Co., Ltd.* (杭州和瑞生活服務有限公司) ("**Hangzhou Herui**")	Executive director	Since November 2019
Jilin Sundy Property Management Service Co., Ltd.* (吉林宋都物業服務有限公司)	Director	Since July 2020
Ningbo Fenghua Sundy Property Service Co., Ltd.* (寧波奉化宋都物業服務有限公司) ("**Ningbo Sundy**")	Executive director	Since November 2020
Shangqiu Sundy Property Service Co., Ltd.* (商丘宋都物業服務有限公司) ("**Shangqiu Sundy**")	Executive director	Since March 2021

From January 2008 to October 2011, Ms. Zhu was a director of Sundy Real Estate Group Co., Ltd.* (杭州宋都房地產集團有限公司) ("**Sundy Real Estate**"), a subsidiary of Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code 600077) ("**Sundy Land**"), where she was responsible for the strategic planning, overall management and supervision of the operations of the company. From February 2009 to June 2018, she served as an office manager of the same company, where she was responsible for the overall office work and coordinating the administrative support work of the company. From March 2017 to December 2019, Ms. Zhu was the executive director and general manager of Hangzhou Rongsheng Asset Management Limited* (杭州榮昇資產管理有限公司), an investment and assets management company, where she was responsible for the strategic planning, overall management and supervision of the operation, finances and human resources of the company. From July 2016 to December 2019, Ms. Zhu was the executive director and general manager of Anhui Shunwang Postpartum Caring Clubhouse Limited* (安徽順望月子會所有限公司), a company involved in the provision of postpartum caring and health consultancy service, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company. Since December 2018, Ms. Zhu has been a director of Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司), a company owned as to 40% by Sundy Property involving in the provision of environmental engineering and landscaping services, where she was responsible for the daily operations and management of the company.

Ms. Zhu was accredited as an intermediate real estate economist* (中級房地產經濟師) by the Ministry of Personnel of the PRC* (中華人民共和國人事部) (currently known as the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) in November 1998.

Ms. Zhu obtained a bachelor in business enterprise management degree through an online course from Renmin University of China (中國人民大學) in September 2005.

Ms. Zhu was a director, supervisor or member of the management of the following companies in the PRC immediately prior to their respective deregistration:

Name of the company	Nature of business	Place of incorporation	Position	Reason of deregistration	Date of deregistration
Hangzhou Sundy Materials Management Co., Ltd.* (杭州宋都物資經營有限公司)	Wholesale and retail of construction materials	PRC	Member of the management	Voluntary deregistration in accordance with relevant laws and regulations	8 October 2002
Hangzhou Sundy Real Estate Agency Co., Ltd.* (杭州宋都房地產中介代理有限公司)	Real estate agency	PRC	Member of the management	Voluntary deregistration in accordance with relevant laws and regulations	27 December 2002
Suzhou Zhongdu Venture Technology Park Development Co., Ltd.* (蘇州中都創業科技園發展有限公司)	Information technology services	PRC	General manager	Voluntary deregistration in accordance with relevant laws and regulations	27 December 2007
Baike (Hangzhou) Enterprise Management Co., Ltd* (百科(杭州)企業管理有限公司)	Corporate management	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	15 September 2010
Shanghai Sundy Equity Investment Co., Ltd.* (上海宋都股權投資有限公司)	Investment management	PRC	Director	Deregistration by way of resolutions	28 February 2012
Hangzhou Sundy Chinese Medicine Clinic Co., Ltd.* (杭州宋都中醫門診部有限公司)	Traditional Chinese medicare	PRC	Supervisor	Deregistration by way of resolutions	7 March 2016
Hangzhou Jiangdu Real Estate Development Co., Ltd.* (杭州江都房地產開發有限公司)	Real estate development and operations	PRC	Supervisor	Deregistration by way of resolutions	30 December 2019
Zhoushan Ruidu Real Estate Co., Ltd.* (舟山瑞都置業有限公司)	Real estate development and operations	PRC	Supervisor	Deregistration by way of resolutions	14 January 2020
Hangzhou Songyi Investment Management Co., Ltd.* (杭州頌怡投資管理有限公司)	Non-securities related investment management and consultancy	PRC	Supervisor	Deregistration by way of resolutions	29 May 2020
Hangzhou Sundy Ziyang Health Management Co., Ltd.* (杭州宋都紫陽健康管理有限公司)	Non-medical health consultancy	PRC	Supervisor	Deregistration by way of resolutions	24 June 2020

Mr. CHENG, Huayong (程華勇) ("**Mr. Cheng**"), aged 40, is an executive Director. He was appointed to the Board as an executive Director on 3 April 2020. He is primarily responsible for overseeing the daily operations and management of the Group. He is the general manager of the branch in Hefei of Sundy Property since September 2014. He was further appointed as the deputy operating officer of Sundy Property since January 2017. He has been the manager of Sundy Property since October 2019. He has been the manager of each of Hangzhou Herui, Ningbo Sundy and Shangqiu Sundy since November 2019, November 2020 and March 2021, respectively.

Mr. Cheng has over 15 years of experience in the property management industry. From December 2000 to July 2007, Mr. Cheng was a customer service supervisor of Jiangxi Wanke Yida Property Service Co., Ltd. (江西萬科益達物業服務有限公司), a property management services company, where he was mainly responsible for coordination between the various departments of the company and handling the requests of property owners and emergencies. From August 2007 to October 2008, Mr. Cheng was a project manager of Hefei Hanjia Property Management Co., Ltd.* (合肥漢嘉物業管理有限公司), a property management services company, where he was mainly responsible for managing work arrangements and supervising, inspecting and evaluating the work of the employees. From November 2008 to September 2014, Mr. Cheng was the Anhui district person-in-charge at the Hefei branch of Zhejiang Zhong'an Property Management Co., Ltd.* (浙江眾安物業服務有限公司), a property management services company, where he was mainly responsible for organising and coordinating the establishment, implementation, maintenance and transformation of the quality management system of the company.

Mr. Cheng obtained a bachelor in computer application degree from Jiangxi Dayu College* (江西大宇專修學院) (currently known as Nanchang Vocational University (南昌職業大學)) in July 2004.

Mr. Zhu Yihua (朱軼樺) ("**Mr. Zhu**"), aged 38, an executive Director and the executive officer (執行總裁). He was appointed as an executive Director on 1 March 2021.

Mr. Zhu has over 15 years of experience in the real estate industry. He joined Sundy Real Estate since August 2005, served as an assistant to the manager of the prophase operation department and the deputy manager of the operation management department, responsible for the prophase operation of real estate projects. From May 2012 to February 2021, he worked as a manager of projects integrated management department, marketing director, deputy project general manager and deputy district general manager in Sundy Real Estate, where he gained valuable experience in real estate project development and management. Since April 2016, Mr. Zhu served as the board of supervisors of Sundy Land, and was appointed as the chairman of the board of supervisors of Sundy Land in May 2018, responsible for the functioning of the board of supervisors, and resigned in February 2021.

Mr. Zhu graduated from City College of Zhejiang University (浙江大學城市學院), majoring in Computer Science and Technology in June 2005 and obtained a bachelor's degree in Engineering from Zhejiang University. He obtained a master's degree in architecture and civil engineering from Xi'an University of Architecture and Technology (西安建築科技大學) in January 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG, Jingzhong (章靖忠) ("**Mr. Zhang**"), aged 57, is an independent non-executive Director. He was appointed to the Board on 17 December 2020. Mr. Zhang is mainly responsible for providing independent judgement and supervision to the Board.

From December 2015 to September 2019, Mr. Zhang was an independent director of Zhejiang Hailiang Co., Ltd. (浙江海亮股份有限公司), a copper product research, development, manufacturing and sales company listed on the Shenzhen Stock Exchange (stock code: 002203). Since October 1988, Mr. Zhang has been the head (主任) of T&C Law Firm (天冊律師事務所), where he is responsible for advising on corporate law, capital markets and dispute resolution. Since April 2015, Mr. Zhang has served as a legislative consultancy expert for the legal office of the Zhejiang Provincial People's Government (浙江省人民政府法制辦公室). Since August 2015, Mr. Zhang has been an independent director of Zhejiang Jinggong Technology Co., Ltd. (浙江精功科技股份有限公司), a high-tech products research, development and production company listed on the Shenzhen Stock Exchange (stock code: 002006). Since September 2016, Mr. Zhang has been an independent director of Kweichow Moutai Co., Ltd. (貴州茅台酒股份有限公司), an alcohol production and sales company listed on the Shanghai Stock Exchange (stock code: 600519). Since May 2017, Mr. Zhang has been an independent director of Shanghai M&G Stationery Inc. (上海晨光文具股份有限公司), a stationery manufacturing and sales company listed on the Shanghai Stock Exchange (stock code: 603899). Since July 2017, Mr. Zhang has served as a legal consultant for the Zhejiang Provincial People's Government (浙江省人民政府), where he is responsible for providing legal advice. Since August 2017, Mr. Zhang has been an independent director of Lily Group Co., Ltd. (百合花集團股份有限公司), a company engaged in production of organic pigments and pigments intermediates and is listed on the Shanghai Stock Exchange (stock code: 603823).

Since May 2018, Mr. Zhang has been an arbitrator of the Shanghai International Arbitration Center (上海國際仲裁中心). Since February 2019, Mr. Zhang has been an arbitrator of the Shenzhen Court of International Arbitration (深圳國際仲裁院).

Mr. Zhang obtained a bachelor of law degree from Hangzhou University* (杭州大學) (currently known as Zhejiang University (浙江大學)) in the PRC in July 1984. Mr. Zhang further completed an executive master of business administration program from the Shanghai National Accounting Institute (上海國家會計學院) in the PRC in May 2011.

Mr. Zhang is currently a lawyer registered by the Zhejiang Provincial Department of Justice (浙江省司法廳).

Mr. XU, Rongnian (許榮年) ("**Mr. Xu**"), aged 57, is an independent non-executive Director. He was appointed to the Board on 17 December 2020. Mr. Xu is mainly responsible for providing independent judgement and supervision to the Board.

From July 1986 to December 1999, Mr. Xu successively served as technician, supervisor, deputy head (副主任) and head (主任) of the Zhejiang Institute of Light Industry* (浙江省輕工業研究所) (currently known as Zanyu Technology Group Co., Ltd. (贊宇科技集團股份有限公司)), a company primarily engaged in the research, development and manufacturing of surfactants and oleochemicals and providing third-party testing services on food safety, environment and occupational health, and is listed on the Shenzhen Stock Exchange (stock code: 002637), where he was responsible for food quality inspection and testing work. Since September 2007, Mr. Xu was the deputy general manager of the same company, where he was responsible for the management of food safety inspection and testing, scientific research project development and technological transformation projects of the company. Since August 2016, Mr. Xu has been a director of the same company. He is responsible for management and development of scientific research and testing work. From January 1993 to December 2000, Mr. Xu successively served as deputy station leader, technical person-in-charge, laboratory director, and inspection centre director of the Zhejiang Province Food Quality Supervision and Inspection Station* (浙江省食品質量監督檢驗站) (currently known as Zhejiang Gongzheng Testing Center Inc. (浙江公正檢驗中心有限公司)), a food safety testing services company, where he was responsible for food safety inspection and testing, establishment of branches and subsidiaries of the company and active development of the markets and businesses of the company. Since November 2003, Mr. Xu has been the chairman of the board and general manager of the same company, where he is responsible for food safety inspection and testing, and management and development of the markets and businesses of the company. From January 2001 to December 2010, Mr. Xu was a member of the Zhejiang Food Standardisation Professional Committee* (浙江省食品標準化專業委員會). Since April 2013, Mr. Xu has been a member of the Food Safety Expert Advisory Group of the Zhejiang Provincial Government (浙江省人民政府食品安全專家諮詢組). Mr. Xu was accredited as a professor-level senior engineer in biochemical engineering by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2011. Since January 2021, Mr.Xu has been a member of the China National Standardization Centre of Food & Fermentation (全國釀酒標準化技術委員會).

Mr. Xu obtained a bachelor of food engineering degree in biochemical engineering from the South China Institute of Technology (華南工學院) (currently known as South China University of Technology (華南理工大學)) in July 1986.

Mr. LAU Kwok Fai Patrick (劉國煇) **("Mr. Lau")**, HKICPA, FCCA, aged 48, was appointed the Board on 17 December 2020. Mr. Lau is mainly responsible for providing independent judgement and supervision to the Board.

Mr. Lau has more than 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. He served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants) from September 1996 to November 1997 mainly responsible for statutory audit. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd. and was mainly responsible for statutory audit, internal control review and enterprise listing audit. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager, mainly responsible for financial due diligence, corporate reorganization and liquidation, analysis for corporate acquisitions, financial modeling and consultation services. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which are listed on the Main Board of the Stock Exchange in December 2013 (stock code: 1522). Mr. Lau was the chief financial officer and company secretary of International Alliance Financial Leasing Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1563) from July 2016 to October 2019 and from May 2018 to October 2019, respectively.

Mr. Lau was an independent non-executive director of Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2225) from September 2017 to July 2020. He is currently also an independent non-executive director of Steering Holdings Limited (formerly known as Dafy Holdings Limited) (stock code: 1826) and Ximei Resources Holdings Limited (stock code: 9936), the shares of both companies are listed on the Main Board of Stock Exchange.

Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a master's degree in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also obtained his HKICPA Diploma in Insolvency awarded by the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Lau has been a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since December 2007 and July 2003, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

SENIOR MANAGEMENT

Ms. MIAO, Jianping (繆建萍) ("**Ms. Miao**"), aged 46, is the chief financial officer of the Group. Ms. Miao joined the Group in June 2020 and is primarily responsible for overseeing the financial operations of the Group. Ms. Miao has more than 15 years of experience in the fields of finance management. From January 2004 to April 2008, Ms. Miao served as a chief financial officer in Hangzhou Zhong Qiangda Holiday Hotel Co., Ltd.* (杭州中強假日大酒店有限公司), where she was responsible for overseeing the overall financial operation. From April 2008 to August 2014, Ms. Miao was a finance controller in Hangzhou Longhill Hotel Co., Ltd.* (杭州龍禧大酒店有限公司), where she was responsible for the overseeing the overall financial operation of the company. From August 2014 to May 2020, Ms. Miao was the landlord representative and chief financial officer of Tonglu Daqishanjun Hotel Co., Ltd.* (桐廬大奇山郡酒店有限公司), where she was responsible for representing the landlord (i.e. shareholder) to assist in management and the overall financial operation of the hotel.

Ms. Miao obtained a bachelor in accounting degree through an online course from China Central Radio and Television University* (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in July 2009. She obtained the qualification as an assistant accountant* (助理會計師) by Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in May 1996.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

GLOBAL OFFERING

On 18 January 2021, the Company was successfully listed on the Main Board of the Stock Exchange, which marked a significant milestones in the development of the Group. The Company issued 800,000,000 ordinary shares with a par share of US$0.00001 each at an offer price of HK$0.25 per share, raising net proceeds of approximately HK$133.2 million (after deducting the Listing expenses). As at the Listing Date, the share capital of the Company was US$50,000, divided into 5,000,000,000 ordinary shares (the "**Shares**") of US$0.00001 each.

USE OF NET PROCEEDS FROM LISTING

Details of the use of net proceeds from Listing Date up to the date of this annual report are set out in the paragraph headed "Management Discussion and Analysis – Use of Proceeds from the Listing" on page 20 of this annual report.

PRINCIPAL BUSINESS

The Group is principally engaged in provision of property management services, value-added services to non-property owners, community value-added services and other businesses, namely hotel business and long-term rental apartment business in the PRC. The analysis of the Group's principal business for the year ended 31 December 2020 is set out in Note 3 of the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of the profit or loss and other comprehensive income on page 66 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

DIVIDEND POLICY

The Company has a dividend policy in effect. The Company may have the right to declare dividends in any currency to be paid to the shareholders of the Company (the "**Shareholders**") in general meeting, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association of the Company (the "**Articles of Association**") provides that dividends may be declared and paid out of profits of the Company, realised or unrealised, or form any reserve set aside from profits which the Directors determine is no longer needed. Subject to Shareholders' approval by way of ordinary resolution and satisfaction of a solvency test, as prescribed in the Companies Law, Cap. 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands, the Company may pay dividends and distributions out of its share premium account.

The Company will declare dividends, if any, in Hong Kong dollars with respect to its Shares on a per-share basis and will pay such dividends in Hong Kong dollars. The amount of dividends actually distributed to Shareholders will depend upon its earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to the approval of Shareholders save that interim dividend may be paid by the Board if the Board is satisfied that such payment is justified by its profits.

BUSINESS REVIEW

Business review of the Group for the Reporting Period and the Group's prospects are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 6 to 20 of this annual report. The analysis of the Group during the Reporting Period using key indicators of financial performance is set out in the paragraph headed "Management Discussion and Analysis – Financial Review" on pages 13 to 18.

ENVIRONMENT POLICY AND PERFORMANCE

The Group recognises the importance of environmental protection and adopts stringent measures for environmental protection in order to ensure the compliance to the prevailing environmental protection laws and regulations.

Given the nature of operations of the Group, the Group believe the Group is not subject to material environmental liability risk or compliance costs.

The Environmental, Social and Governance Report of the Company will be published in accordance with Appendix 27 of the Listing Rules in a separate report to be published onto the websites of the Company and the Stock Exchange.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company strictly complied with the following laws and regulation which may have a significant impact on its operation: (a) the laws and regulations relating to property management services: the laws, regulations and policies relating to qualification of property management service company, appointment, fees, outsourcing and long-term rental apartment business and hotel business; (b) other significant laws and regulations of the PRC affecting the Group's business: the laws and regulations relating to foreign investment, foreign exchange, labour and social security, social insurance and housing fund, taxation, intellectual property, environment protection and fire control.

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years are set out on pages 4 and 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

MAJOR CUSTOMERS

For the year ended 31 December 2020, the transaction amounts of the Group's top five customers accounted for 54.8% (2019: 42.4%) of the Group's total revenue while the transaction amounts of the largest customer, Zhejiang Sundy Holdings Co., Ltd. ("**Sundy Holdings**") and its subsidiaries (collectively, "**Sundy Holdings Group**") (浙江宋都控股有限公司及其附屬公司), accounted for 36.2% (2019: 35.7%) of the Group's total revenue.

MAJOR SUPPLIERS

For the year ended 31 December 2020, the transaction amounts of the Group's top five suppliers accounted for 25.9% (2019: 27.5%) of the total purchases, i.e. less than 30% of the total purchases. The transaction amounts of the largest supplier accounted for 8.8% (2019: 8.1%) of the Group's total purchases.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

RELATIONSHIP WITH EMPLOYEES

The Company understands the importance of maintaining a good relationship with employees and providing professional development to meet their individual long-term goals. The Company will continue to effectively communicate with employees and provide various training opportunities, including on-the-job training and training courses provided by professional organisations to enhance employees' sense of belonging.

The details of employment, salaries and benefits of the Group during the Reporting Period are set out in the paragraph headed "Management Discussion and Analysis – Financial Review – Human Resources" on page 18 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in Note 10 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in Note 23(b) to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on page 68 of this annual report.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2020, the reserves available for distribution of the Company (including share premium, exchange reserve and accumulated losses of the Company) amounted to RMB37.7 million.

BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, save as the lease liabilities as disclosed in Note 12(b) to the consolidated financial statements, the Group did not have any bank loans and other borrowings.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are as follows:

Executive Directors:

Ms. YU Yun (*Chairman of the Board*)
Ms. ZHU Jin *(Chief executive officer)*
Mr. ZHU Yihua (Appointed on 1 March 2021)
Mr. SHEN Guangming (Resigned on 1 March 2021)
Mr. CHENG Huayong

Independent Non-executive Directors:

Mr. ZHANG Jingzhong
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

In accordance with article 83(3) of the Article of Association, Mr. ZHU Yihua, as an executive Director and executive officer (執行總裁) appointed on 1 March 2021 to fill a casual vacancy on the Board, shall retire and, being eligible, offer himself for re-election at the annual general meeting of the Company to be held on Monday, 7 June 2021 (the "**AGM**").

In accordance with article 84(1) of the Article of Association, Ms. YU Yun and Ms. ZHU Jin shall retire by rotation, and being eligible, offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to be despatched the Shareholders on or around 30 April 2021.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 21 to 30 of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of Listing Rules and the Company considers all of the independent non-executive Directors are independent from the Listing Date and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors (except Mr. ZHU Yihua) entered into a service contract with the Company for term of three years from the Listing Date, subject to termination in accordance with the requirements of the service contract. Mr. ZHU Yihua, an executive Director, entered into a service contract with the Company for a term of three years commencing from 1 March 2021.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for term of three years commencing from the Listing Date, subject to termination in accordance with the requirements of the letter of appointment.

None of the Directors has a service contract or a letter of appointment with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the Reporting Period and up to the date of this annual report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

EMOLUMENT POLICY

The primary duties of the remuneration committee of the Company (the "**Remuneration Committee**") are to make recommendations to the Board on the remuneration policy and structure for directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy and to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration.

In determining remuneration of Directors and senior management of the Company, the Board will consider the remuneration level of skill, knowledge, involvement in the Group's affairs and performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in Note 7 and Note 8 to the consolidated financial statements.

The Group's remuneration packages for employees are determined based on their duties, qualifications, individual performance and current market standards. The discretionary bonus paid to employees is based on the performance of individual employees in recognition of and contribution to their contribution. The Group has implemented and will continue to implement various employee recognition initiatives and rewards. The Group also makes social security contributions (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund contributions for our employees. During the Reporting Period, the Group also provided its staff with systematical and extensive training plans and promotion and rotation programs.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 5(b) of the consolidated financial statements.

CHANGES OF DIRECTORS

On 1 March 2021, Mr. SHEN Guangming resigned as an executive Director and Mr. ZHU Yihua was appointed as an executive Director and executive officer (執行總裁) of the Company. Mr. SHEN Guangming confirmed that he has no disagreement with the Board and there is no other matter in respect of this resignation that needs to be brought to the attention to the Shareholders and the Stock Exchange.

Save as disclosed above, up to the date of this annual report, there was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, none of the Directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the Reporting Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2020, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

Names	Note	Capacity/Nature of interest	Number of shares	Long/short position	Approximate percentage of shareholding in the Company
Mr. YU Jianwu ("**Mr. Yu**")		Settlor of a trust	2,280,000,000	Long position	71.25%
CMB Wing Lung (Trustee) Limited ("**CMB Wing Lung**")	(1)	Trustee	2,280,000,000	Long position	71.25%
Success Base Group Limited ("**Success Base**")	(1)	Interest of a controlled corporation	2,280,000,000	Long position	71.25%
SUNDY HEYE LIMITED (宋都和業有限公司) ("**Sundy Heye**")	(1)	Beneficial owner	2,280,000,000	Long position	71.25%

Note :

(1) Sundy Heye is wholly owned by Success Base, which is indirectly wholly owned by CMB Wing Lung. CMB Wing Lung is the trustee of The Yu Jianwu's Trust, which holds the entire issued share capital in Sundy Heye through its nominee companies on trust for the benefit of Mr. Yu and his family members.

Save as disclosed above, as at 31 December 2020, to the best knowledge of the Directors, none of any other person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

SHARE OPTION SCHEME

On 21 December 2020, the Company conditionally approved and adopted the share option scheme (the "**Share Option Scheme**"). Summary of the principal terms of the Share Option Scheme are as set out below:

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group; and (iii) for such purposes as the Board may approve from time to time.

The eligible participants of the Share Option Scheme (the "**Eligible Participants**") include (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; and (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

The amount payable by the grantee of an option to the Company under the Share Option Scheme (the "**Option**") on acceptance of the offer for the grant of an Option is HK$1.00.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the Listing, being 320,000,000 Shares. The Board may renew the said limit or grant beyond the 10% limit, subject to the issue of the circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed the Listing Rules from time to time. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

The subscription price of a Share in respect of any Option shall be a price as the Board in its absolute discretion shall determine, save as such price will not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The Company by resolution in a general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but Option granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

For further details of the Share Option Scheme, please refer to the paragraph headed "Statutory and General Information – D. Other information – 1. Share Option Scheme" in Appendix IV to the Prospectus.

There were no share options outstanding under the Share Option Scheme nor were any Option granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the period from the date of Listing up to the date of this report.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Group or in existence during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the Listing Date to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

NON-COMPETITION UNDERTAKING

Sundy Land Group (an associate of Mr. Yu, a controlling shareholder of the Company) is interested in the below entities (collectively, the "**Excluded Group**"), details of which are set the as follows:

1. *Tonglu Daqishanjun Hotel Co., Ltd.* (桐廬大奇山郡酒店有限公司) ("**Tonglu Daqishanjun**")*

   As at 31 December 2020, Tonglu Daqishanjun is a company established under the laws of the PRC in July 2019 and jointly owned by Sundy Real Estate, a wholly-owned subsidiary of Sundy Land, and Xinhua Yuan Real Estate Group Co., Ltd.* (新華園房產集團有限公司) (an independent third party). Tonglu Daqishanjun owned and operated Tonglu Landison Resort* (桐廬雷迪森度假酒店) ("**Landison Resort**") due to the requisite requirement of the PRC Government. Landison Resort is operated as a resort in Tonglu Daqishanjun, the business focus of which is distinct from the hotel business of the Group.

2. *Zhoushan Blue County Hotel Co., Ltd.* (舟山藍郡酒店有限公司) ("**Zhoushan Blue County**")*

   As at 31 December 2020, Zhoushan Blue County is a wholly-owned subsidiary of Sundy Real Estate, wholly owns Holiday Inn Express Zhoushan Dinghai* (舟山定海智選假日酒店) ("**Dinghai Holiday Inn**"). Dinghai Holiday Inn established as an integral part of Zhoushan Blue County International development project* (舟山藍郡國際發展項目) by Sundy Land Group in Zhoushan, which are not likely to overlap with the target customers of the hotel business of the Group in Hangzhou.

For further details of the Excluded Group, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

To safeguard the Group from any potential competition from the Controlling Shareholders (as defined below), each of the Controlling Shareholders entered into the Deed of Non-competition (as defined below) in favour of the Group with details as set out below.

The controlling shareholders of the Company, Mr. Yu and Sundy Heye (the "**Controlling Shareholders**") entered into a deed of non-competition (the "**Deed of Non-competition**") on 21 December 2020. pursuant to which, subject to certain exceptional circumstances, each of the Controlling Shareholders has unconditionally and irrevocably undertaken to and covenanted with the Group, among others:

(i) he/it will not, and will procure his/its close associates and/or the companies controlled by him/it (other than members of the Group) not to, directly or indirectly, either on his its own account or in conjunction with or on behalf of any person, firm or company, partnership, joint venture, or other contractual arrangement, among other things whether directly or indirectly, for profit or not, carry on, participate or be engaged in, invest in, acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or provide any form of assistance to any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time, including but not limited to the provision of property management services, value-added services to non-property owners, community value-added services and long-term rental apartment business (the "**Restricted Business**");

(ii) if he/it and/or any of his/its close associates has received, is offered or has identified any business investment or other business opportunity that competes or may compete, directly or indirectly, with the Restricted Business (the "**New Business Opportunity**"), he/it and/or any of his/its close associates shall (1) immediately give a notice in writing to the Company in respect of such New Business Opportunity, setting out all reasonably necessary information for the Group to make an informed assessment; and (2) use his/its/their best efforts to assist the Company in acquiring such New Business Opportunity at terms and conditions no less favourable than those available to him/it and/or his/its close associates;

(iii) neither he/it nor any of his/its close associates, directly or indirectly, carries out, participates or is engaged in, invests in, acquires or holds (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or is otherwise involved (other than through the Group) in the Restricted Business; and

(iv) for so long as he/it or any of his/its close associates, either alone or as a whole, remains the Controlling Shareholder or a Director: (1) he/it will not participate in, carry on or invest in any project or business opportunity that competes or may compete, directly or indirectly, with the business conducted by the Group from time to time; (2) he/it will, in accordance with the Articles of Association and the Listing Rules, declare his/its interests and, where required, abstain from voting at any board meeting and/or general meeting of the Company and not be counted as quorum where required, if there is any actual or potential conflict of interests; (3) he/it and his/its close associates (other than the Group) will not solicit any existing or then existing employee of the Group; (4) without the consent of the Company, he/it will not use any information pertaining to the business of the Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder and/or a Director for any purposes; and (5) he/it will procure his/its close associates (other than the Group) not to participate in, carry on or invest in any project or business opportunity mentioned above.

For further details of the Deed of Non-competition, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their associates had any interest in any business which directly or indirectly compete or may compete with the businesses of the Group during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in paragraph headed "Continuing Connected Transactions" and Note 27 to the consolidated financial statements in this annual report, no Controlling Shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group has entered into certain continuing connected transactions subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Connected persons

(i) Sundy Land was principally engaged in property development and sales of properties. It was owned as to approximately 35.01% by Sundy Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo Yijuan (郭軼娟) ("**Ms. Guo**"), spouse of Mr. Yu. Therefore, Sundy Land is an associate of Mr. Yu, hence a connected person of the Company. Sundy Real Estate is a wholly-owned subsidiary of Sundy Land, hence connected person of the Company.

(ii) Zhejiang Zhizhonghe Industry Co., Ltd.* (浙江致中和實業有限公司) ("**Zhizhonghe Industry**") was principally engaged in manufacturing and sales of food and beverage, in particular, alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea (涼茶). It was wholly owned by Hangzhou Heye Investment Management Co., Ltd.* (杭州和業投資管理有限公司) ("**Heye Investment**"), a company owned as to 90% by Sundy Holdings, which was wholly owned by Mr. Yu, and 10% by Zhejiang Yingtong Technology Development Co., Ltd* (浙江盈通科技發展有限公司) ("**Zhejiang Yingtong**"), which was owned as to 90% by Sundy Holdings and 10% by Ms. Guo. Therefore, Zhizhonghe Industry is an associate of Mr. Yu, hence a connected person of the Company.

(iii) Hangzhou Sundy Yangguang Kindergarten Co., Ltd.* (杭州宋都陽光幼兒園有限公司) ("**Sundy Yangguang Kindergarten**") was principally engaged in the provision of preschool education service. It was indirectly owned as to 40% by Heye Investment, a company owned as to 90% by Sundy Holdings and 10% by Zhejiang Yingtong, which was owned as to 90% by Sundy Holdings and 10% by Ms. Guo. Therefore, Sundy Yangguang Kindergarten is an associate of Mr. Yu, hence a connected person of the Company.

1. Lease

Master Lease Agreement with Sundy Land Group

On 21 December 2020, the Company entered into a master property lease agreement (the "**Master Lease Agreement**") with Sundy Land, pursuant to which the Group shall lease from Sundy Land Group certain premises for hotel use for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give not less than three months' prior written notice to terminate the Master Lease Agreement.

The Directors estimate that the maximum annual rental fee payable under the Master Lease Agreement for each of years ending 31 December 2020, 2021 and 2022 will not exceed RMB4.45 million, RMB4.70 million and RMB4.90 million, respectively. The actual transaction amount for the year ended 31 December 2020 is RMB2.89 million.

2. Property management transactions

Master Property Management Agreement with Sundy Land Group

On 21 December 2020, the Company entered into a master property management agreement (the "**Master Property Management Agreement**") with Sundy Land, pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties developed or owned by Sundy Land Group for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give the other party not less than three months' prior written notice to terminate the Master Property Management Agreement.

The Directors estimated that the maximum service fee payable by Sundy Land Group to the Group under the Master Property Management Agreement for each of years ending 31 December 2020, 2021 and 2022 will not exceed RMB22.00 million, RMB22.80 million and RMB24.80 million, respectively.

Master Property Management Agreement with Zhizhonghe Group

On 21 December 2020, the Company entered into a master property management agreement (the "**Zhizhonghe Master Agreement**") with Zhejiang Zhizhonghe Industry, pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties owned or operated by Zhizhonghe Industry and its subsidiaries (collectively, "**Zhizhonghe Group**") for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give the other party not less than three months' prior written notice to terminate the Zhizhonghe Master Agreement.

The Directors estimated that the maximum service fee payable by Zhizhonghe Group to the Group under the Zhizhonghe Master Agreement for each of years ending 31 December 2020, 2021 and 2022 will not exceed RMB1.67 million, RMB1.80 million and RMB2.00 million, respectively.

Master Property Management Agreement with Sundy Yangguang Kindergarten

On 21 December 2020, the Company entered into a master property management agreement (the"**Yangguang Master Agreement**", together with Master Property Management Agreement and Zhizhonghe Master Agreement, the "**Property Management Agreements**") with Sundy Yangguang Kindergarten, pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties operated by Sundy Yangguang Kindergarten for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give the other party not less than three months' prior written notice to terminate the Yangguang Master Agreement.

The Directors estimated that the maximum service fee payable by Sundy Yangguang Kindergarten to the Group under the Yangguang Master Agreement for each of years ending 31 December 2020, 2021 and 2022 will not exceed RMB70,000, RMB70,000 and RMB70,000, respectively.

The annual caps under the different agreements under the Property Management Agreements and the corresponding audited actual transaction amount for the year ended 31 December 2020 are as follow:

	For the year ended 31 December 2020	
	Annual Caps RMB'000	Audited Transaction Amount RMB'000
Master Property Management Agreement	22,000	21,906
Zhizhonghe Master Agreement	1,670	1,598
Yangguang Master Agreement	70	36
Total	23,740	23,540

3. Value-added services and other businesses transactions

Master Service Agreement with Sundy Land Group

On 21 December 2020, the Company entered into a master service agreement (the "**Master Service Agreement**") with Sundy Land, pursuant to which the Group agreed to provide (i) value-added services to non-property owners, including but not limited to consulting services, sale assistance services and pre-delivery services; (ii) community value-added services, including but not limited to property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iii) other services, including but not limited to provision of conferencing and meeting spaces for rental by corporate clients at properties developed or owned by Sundy Land Group or provision of accommodation to the employees of members of Sundy Land Group (where applicable), for a term commencing from the Listing Date until 31 December 2022, and at any time either party may give the other party not less than three months' prior written notice to terminate the Master Service Agreement.

The Directors estimated that the maximum service fee payable by Sundy Land Group to the Group under the Master Service Agreement for each of years ending 31 December 2020, 2021 and 2022 will not exceed RMB70.30 million, RMB71.00 million and RMB79.50 million, respectively.

The annual caps of the different business segments under the Master Service Agreement and the corresponding audited actual transaction amount for the year ended 31 December 2020 are as follow:

	For the year ended 31 December 2020	
	Annual Caps RMB'000	Audited Actual Transactions Amount RMB'000
Value-added services to non-property owners	49,036	49,024
Community value-added services	21,084	20,176
Other businesses	180	113
Total	70,300	69,313

The independent non-executive Directors have confirmed that the above continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the Auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits and Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the Group's continuing connected transactions in accordance with rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

Details of the related party transactions were set out in Notes 27 to the consolidated financial statements. Save as disclosed above, none of those related party transactions constitutes continuing connected transaction not being exempted under Chapter 14A of the Listing Rules.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2020, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

Under the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in the section headed "Management Discussion and Analysis" and Note 31 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had, together with the Company's management and representative(s) of the external auditors of the Company, KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance (the "**Auditor**"), reviewed the annual results and the accounting policies and practices adopted by the Group, and discussed matters in relation to audit, risk management, internal control and financial statements, including reviewing the Group's consolidated financial statements for the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 48 to 59 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules and at least 25% of the Company's entire issued share capital were held by the public from the Listing Date and up to the date of this annual report.

AUDITOR

KPMG has been appointed as the Auditor for the year ended 31 December 2020. KPMG has audited the accompanying financial statements which were prepared in accordance with International Financial Reporting Standards.

KPMG is subject to retirement and, being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution for re-appointment of KPMG as the Auditor will be proposed at the AGM.

By Order of the Board
YU Yun
Chairman and executive Director

Hangzhou, 31 March 2021

The Board is pleased to present the corporate governance report of the Company during the period from the Listing Date to the date of this annual report, being 31 March 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance and achieving good corporate governance by an effective Board, segregation of duties with clear accountability, sound internal controls and risk management procedures and transparency to Shareholders in order to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the Corporate Governance Code and Corporate Governance Report contained in the CG Code as its own corporate governance code.

The Company has complied with all applicable code provisions under the CG Code during the period from the Listing Date to the date of this annual report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the nomination committee (the "**Nomination Committee**", together with the Audit Committee and the Remuneration Committee, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

COMPOSITION OF THE BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised four executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Ms. YU Yun (*Chairman*)
Ms. ZHU Jin *(Chief executive officer)*
Mr. ZHU Yihua
Mr. CHENG Huayong

Independent Non-Executive Directors:

Mr. ZHANG Jingzhong
Mr. XU Rongnian
Mr. LAU Kwok Fai Patrick

The biographies of the Directors are set out in section headed "Directors and Senior Management" in this annual report.

During the period from the Listing Date to the date of this annual report, the Board has, at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing one-third of the Board. Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Nomination Committee and the Remuneration Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretaries of the Company also update and provide the Directors with written training materials in relation to their roles, functions and duties from time to time.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this annual report, the chairman of the Board is Ms. YU Yun, being an executive Director and Ms. ZHU Jin is the Group's chief executive officer, being an executive Director. The positions of the chairman and chief executive officer are held by separate individuals so as to maintain an effective segregation of duties.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Directors are subject to retirement by rotation and re-election at each annual general meeting of the Company in accordance with Article 84 of the Articles of Association. Appointed as an addition to the Board or to fill a casual vacancy on the Board will be subject to re-election by the Shareholders at the forthcoming annual general meeting or the first general meeting of the Company respectively after the appointment. In addition, when an independent non-executive Director proposed for re-election has served the Company for more than nine years, his/her re-election will be subject to a separate resolution to be approved at the annual general meeting.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board's structure, size and composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and the Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched at least three days before the Board meetings or the Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and the Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During the period from the Listing Date to the date of this annual report, three Board meetings but no general meeting were held. The attendance of each Director at the Board meetings is set out in the table below:

Name of Directors	**Attended/Eligible to attend the board meetings**
Ms. YU Yun *(Chairman)*	3/3
Ms. ZHU Jin	3/3
Mr. ZHU Yihua	2/2[1]
Mr. CHENG Huayong	3/3
Mr. ZHANG Jingzhog	3/3
Mr. XU Rongnian	3/3
Mr. LAU Kwok Fai Patrick	3/3
Mr. SHEN Guangming	1/1[2]

Note：

1. Mr. ZHU Yihua was appointed as an executive Director and executive officer on 1 March 2021.

2. Mr. SHEN Guangming resigned as an executive Director on 1 March 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to the date of this annual report.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this section.

BOARD COMMITTEES

Audit Committee

Up to the date of this annual report, the Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. LAU Kwok Fai Patrick (Chairman), Mr. ZHANG Jingzhong and Mr. XU Rongnian. Mr. LAU Kwok Fai Patrick, the chairman of the Audit Committee, with the appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The terms of reference of the Audit Committee are in compliance with the code provision C3.3 of the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control systems of the Group, oversee its audit process and perform other duties and responsibilities as assigned by the Board.

The written terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on 18 January 2021, no Audit Committee meeting and work was held during the year ended 31 December 2020.

During the period from the Listing Date to the date of this annual report, the Audit Committee held one meeting mainly to review annual results of the Group for the financial year ended 31 December 2020, and the attendance record of the Audit Committee is set out in the table below:

Name of Directors	Attendance/ number of meetings held
Mr. LAU Kwok Fai Patrick *(Chairman)*	1/1
Mr. ZHANG Jingzhong	1/1
Mr. XU Rongnian	1/1

Remuneration Committee

Up to the date of this annual report, the Remuneration Committee comprises three members, all being independent non-executive Directors, namely Mr. ZHANG Jingzhong (Chairman), Mr. LAU Kwok Fai Patrick and Mr. XU Rongnian.

The terms of reference of the Remuneration Committee are in compliance with the code provision of B.1.2 of the CG Code. The main duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

The written terms of reference the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on 18 January 2021, no Remuneration Committee meeting and work was held during the year ended 31 December 2020.

During the period from the Listing Date to the date of this annual report, the Remuneration Committee held two meetings, mainly to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and the attendance record of the Audit Committee is set out in the table below:

Name of Directors	**Attendance/ number of meetings held**
Mr. ZHANG Jingzhong *(Chairman)*	2/2
Mr. XU Rongnian	2/2
Mr. Lau Kwok Fai Patrick	2/2

Nomination Committee

Up to the date of this annual report, the Nomination Committee currently comprises four members including three independent non-executive Directors Mr. ZHANG Jingzhong, Mr. XU Rongnian and Mr. LAU Kwok Fai Patrick as well as an executive Director and Chairman of the Board, Ms. YU Yun (Chairman).

The terms of reference of the Nomination Committee are in compliance with the code provision of A.5.2 of the CG Code. The main duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations to the Board on appointment, re-election and succession planning of Directors.

The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference and the details of duties of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on 18 January 2021, no Nomination Committee meeting and work was held during the year ended 31 December 2020.

During the period from the Listing Date to the date of this annual report, the Nomination Committee held two meetings, mainly to make recommendations to the Board on the appointment and resignation of Directors and the attendance record of the Nomination Committee is set out in the table below:

Name of Directors	**Attendance/ number of meetings held**
Ms. YU Yun *(Chairman)*	2/2
Mr. ZHANG Jingzhong	2/2
Mr. XU Rongnian	2/2
Mr. LAU Kwok Fai Patrick	2/2

BOARD DIVERSITY POLICY

The Board remains committed to enhance its operating efficiency and maintain high standards of corporate governance on a continuing basis and recognises the vital importance of the diversity of the Board with regard to the maintenance of competitive advantage and sustainable development. Therefore, the Company has adopted a board diversity policy. In designing the composition of the Board, the Company has taken into account the diversity of the Board, including but not limited to gender, age, cultural and educational background, professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted as a Director of the Company. The Company will consider its own business model and special needs from time to time as well. The ultimate decision will be made based on the contribution and merit that the selected candidates will bring to the Board.

The Board strives to ensure the appropriate balance of skills, experience and diversity of perspectives that are essential for the implementation of its business strategies of the Board and the effective operation of the Board. Up to the date of this annual report, the Board comprises seven Directors including two women, each of the Directors is aged between 26 and 57. Their industry experience covers such a wide range of fields such as real estate, investment and financing, accounting and auditing.

REMUNERATION OF DIRECTORS

The Company has made full disclosure of remunerations of Directors by name, amount and type in Note 7 to the consolidated financial statements. No Director has waived or agreed to waive any emoluments for the year ended 31 December 2020.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of senior management of the Company for the year ended 31 December 2020 falls under the following table:

Band of remuneration	Number
Nil – RMB1,000,000	3
Over RMB1,000,000	0

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2020, which give a true and fair view of the affairs of the Company and the Group, and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions, which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statement of the Company is set out in the Independent Auditor's Report on pages 60 to 65 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to ensure that sound risk management and internal control system is established and maintained within the Group, as well as its responsibility to review its effectiveness. Such system aims to manage and reduce the business risks faced by the Group to an acceptable extent, but not eliminating the risks of failure to achieve business objectives. Moreover, it can only provide reasonable, and not absolute, assurance against material misstatement, loss or fraud.

The Board has authorised the Audit Committee to take charge of the on-going monitoring of the Group's risk management and internal control system, as well as the annual review of its effectiveness. Such review covers all material control aspects, including financial control, operation control, and compliance control.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis. All departments conduct internal control assessment annually to identify potential risks that may impact the business operation of the Group. Self-evaluation has been conducted by checking key operational and financial processes, regulatory compliance, and information security.

The Company has adopted an inside information policy (the "**Inside Information Policy**") in accordance with the SFO and the Listing Rules to ensure the confidentiality of handling inside information and the publication of respective disclosure to the public as soon as practicable. The Company will make corresponding information disclosure timely with regard to information that is unlikely to maintain confidentiality, so as to ensure effective protection of the rights and interests of investors and stakeholders. In addition, only the Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. No incident of non-compliance of the procedure, and internal controls as set out in the Inside Information Policy was noted by the Company since the Listing Date and up to the date of this report.

During the year ended 31 December 2020, in connection with the Listing, the Board has reviewed the effectiveness of the Group's internal control and risk management systems to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. Accordingly, the Company considers the systems are effective and adequate. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The management of the Company actively monitors the regional economy, trend of property management services industry, reliance on continuing connected transactions and changes in applicable laws and regulations, and assesses income and expenditure and absorptive capacity of business expansions. The recommendations submitted by independent consultant have been accepted by the Company and implemented in stages, to further enhance the policies, procedures and practices of its internal control and risk management.

AUDITOR'S REMUNERATION

During the year ended 31 December 2020, the remuneration paid or payable to the Auditor for its audit services was approximately RMB1.6 million, and the remuneration paid or payable for the reporting accountants' service in relation to the Listing of the Company's shares was approximately RMB6.2 million.

COMPANY SECRETARY

In order to uphold good corporate governance and ensure compliance with the Listing Rules and the applicable Hong Kong laws, the Company engaged Ms. ZHANG Qisi and Mr. TSANG Ho Yin as joint company secretaries, primarily responsible for the corporate secretarial matters of the Company.

As the Company was listed on the Main Board of the Stock Exchange on 18 January 2021, during the Reporting Period, the requirement of 15 hours of relevant professional training of the company secretary as set out in Rule 3.29 of the Listing Rules was not applicable for the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Board and the chairmen of the Board Committees of the Company attend the annual general meeting to answer Shareholders' questions. The Auditor also attends the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a shareholders' communication policy and maintains a website at http://songduwuye.com, where announcements, annual reports and interim reports of the Company, as well as the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard the shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Also, the Shareholders have the right to put enquiries to the Board. All enquiries should be sent in writing by post to the principal place of business of the Company in Hong Kong or the headquarters and principal place of business in the PRC.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to the Articles of Association, the Shareholders may put forward proposals at the general meeting of the Company for consideration. Any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company to require an extraordinary general meeting to be convened by the Company for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Memorandum of association of the Company and Articles of the Association (collectively, the "**Memorandum and Articles**") have been amended and restated, with effect from the Listing Date. Save for the aforesaid disclosed, during the Reporting Period, no change has been made to the Memorandum and Articles.

KPMG

To the shareholders of Sundy Service Group Co. Ltd
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sundy Service Group Co. Ltd ("the **Company**") and its subsidiaries (the "**Group**") set out on pages 66 to 142, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Expected credit loss allowance for trade receivables	
Refer to accounting policy note 1(n), note 16 and note 24(a) to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2020, the Group's gross trade receivables from third parties and a loss allowance for expected credit losses (ECLs) amounted to RMB29.0 million and RMB7.9 million, respectively. The Group's trade receivables comprise mainly receivables from property owners and property developers. Management measure the loss allowance at an amount equal to lifetime ECL of trade receivables based on the loss patterns for different customers grouped according to the shared credit risk characteristics, ageing of trade receivables, historical loss rates, current economic conditions and forward-looking information at the end of each reporting period.	Our audit procedures to assess the ECL allowance for trade receivables included the following: • obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls relating to credit control, segmentation of trade receivables, ageing analysis review, estimation of credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard; • obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by management, including the basis of segmentation of trade receivables based on shared credit loss characteristics, historical default data and assumptions involved in management's estimation of loss rate;

Key audit matter (continued)

<table>
<tr><td colspan="2">Expected credit loss allowance for trade receivables</td></tr>
<tr><td colspan="2">Refer to accounting policy note 1(n), note 16 and note 24(a) to the consolidated financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>We identified the ECL allowance for trade receivables as a key audit matter because the balance of trade receivables is material to the Group's consolidated financial statements and the recognition of expected credit loss is inherently subjective and requires the exercise of significant management judgement.</td><td>• assessing the appropriateness of management's estimation of loss allowance and examining the information used by management to derive such estimates, including testing accuracy of the historical default data and evaluating whether historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;

• assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing with the demand notes, invoices and other relevant underlying documentation, on a sample basis; and

• re-performing the calculation of the loss allowance as at 31 December 2020 based on the Group's credit loss allowance policies.</td></tr>
</table>

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fung Ping Kwong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 *(Expressed in Renminbi Yuan)*

	Note	2020 RMB'000	2019 RMB'000
Revenue	3(a)	**256,703**	222,474
Cost of sales		**(178,845)**	(157,605)
Gross profit		**77,858**	64,869
Other revenue	4	**4,203**	737
Other net loss	4	**–**	(2)
Selling and marketing expenses		**(703)**	(770)
Administrative expenses		**(36,240)**	(19,197)
Impairment loss on trade receivables		**(2,585)**	(465)
Other expenses		**(126)**	(106)
Profit from operations		**42,407**	45,066
Finance income		**1,372**	3,240
Finance costs		**(521)**	(2,766)
Net finance income	5(a)	**851**	474
Share of profit of a joint venture		**266**	976
Profit before taxation	5	**43,524**	46,516
Income tax	6	**(10,672)**	(11,280)
Profit for the year		**32,852**	35,236
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company		**(1)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(7)**	(26)
Total comprehensive income for the year		**32,844**	35,210
Profit attributable to:			
Equity shareholders of the Company		**32,658**	35,142
Non-controlling interests		**194**	94
Profit for the year		**32,852**	35,236
Total comprehensive income attributable to:			
Equity shareholders of the Company		**32,650**	35,116
Non-controlling interests		**194**	94
Total comprehensive income for the year		**32,844**	35,210
Earnings per share	9		
Basic and diluted (RMB cents)		**1.36**	1.49

The Notes on pages 70 to 142 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 23(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020 *(Expressed in Renminbi Yuan)*

	Note	**2020 RMB'000**	2019 RMB'000
Non-current assets			
Property, plant and equipment	10	**22,347**	23,939
Intangible assets	11	**285**	337
Right-of-use assets	12(a)	**250**	500
Investment properties	13	**734**	1,702
Investment in a joint venture	14	**1,550**	1,284
Deferred tax assets	21	**3,475**	3,007
Total non-current assets		**28,641**	30,769
Current assets			
Inventories	15	**202**	284
Contract assets	19(a)	**538**	7,599
Trade and other receivables	16	**51,084**	33,669
Restricted bank balances	17	**8,501**	5,778
Cash and cash equivalents	18(a)	**192,195**	137,559
Total current assets		**252,520**	184,889
Current liabilities			
Contract liabilities	19(b)	**34,319**	40,483
Advances from lessees		**747**	384
Trade and other payables	20	**125,628**	74,819
Lease liabilities	12(b)	**1,121**	2,064
Current taxation	21(a)	**2,065**	10,513
Total current liabilities		**163,880**	128,263
Net current assets		**88,640**	56,626
Total assets less current liabilities		**117,281**	87,395
Non-current liabilities			
Contract liabilities	19(b)	**–**	2,543
Lease liabilities	12(b)	**8**	913
Total non-current liabilities		**8**	3,456
NET ASSETS		**117,273**	83,939
CAPITAL AND RESERVES			
Share capital	23(b)	**7**	7
Reserves	23(d)	**115,988**	83,338
Total equity attributable to equity shareholders of the Company		**115,995**	83,345
Non-controlling interests		**1,278**	594
TOTAL EQUITY		**117,273**	83,939

Approved and authorised for issue by the board of directors on 31 March 2021

Yu Yun)
Cheng Huayong) *Directors*

The Notes on pages 70 to 142 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020 *(Expressed in Renminbi Yuan)*

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	–	–	(33,780)	5,176	–	36,495	7,891	–	7,891
Changes in equity for 2019:									
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	35,142	35,142	94	35,236
Other comprehensive income	–	–	–	–	(26)	–	(26)	–	(26)
Total comprehensive income for the year	–	–	–	–	(26)	35,142	35,116	94	35,210
Capital injection from non-controlling interests	–	–	–	–	–	–	–	500	500
Appropriation to statutory reserve	–	–	–	3,540	–	(3,540)	–	–	–
Issue of shares	7	40,331	–	–	–	–	40,338	–	40,338
Balance at 31 December 2019	7	40,331	(33,780)	8,716	(26)	68,097	83,345	594	83,939

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	**Share premium RMB'000**	**Capital reserve RMB'000**	**PRC statutory reserves RMB'000**	**Exchange reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance at 1 January 2020	7	40,331	(33,780)	8,716	(26)	68,097	83,345	594	83,939
Changes in equity for the 2020:									
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	32,658	32,658	194	32,852
Other comprehensive income	–	–	–	–	(8)	–	(8)	–	(8)
Total comprehensive income for the year	–	–	–	–	(8)	32,658	32,650	194	32,844
Capital injection from non-controlling interests	–	–	–	–	–	–	–	490	490
Appropriation to statutory reserve	–	–	–	3,264	–	(3,264)	–	–	–
Balance at 31 December 2020	7	40,331	(33,780)	11,980	(34)	97,491	115,995	1,278	117,273

The Notes on pages 70 to 142 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020 *(Expressed in Renminbi Yuan)*

	Note	**2020 RMB'000**	2019 RMB'000
Operating activities			
Cash generated from operations	18(b)	**74,575**	46,941
PRC Corporate Income Tax paid	21(a)	**(19,588)**	(9,983)
Net cash generated from operating activities		**54,987**	36,958
Investing activities			
Payments for the purchase of property, plant and equipment		**(2,747)**	(2,627)
Proceeds from disposal of interest in a joint venture		**2,500**	–
Payment for investment in a joint venture		**–**	(400)
Loans to related parties and a third party		**–**	(130,177)
Loans repaid by related parties and a third party		**–**	161,166
Interest received		**1,372**	6,933
Net cash generated from investing activities		**1,125**	34,895
Financing activities			
Proceed from issue of shares		**–**	40,338
Deemed distribution arising from the reorganisation		**–**	(38,780)
Capital element of lease rentals paid		**(1,857)**	(1,879)
Interest element of lease rentals paid		**(101)**	(311)
Capital contribution from non-controlling interests		**490**	500
Net cash used in financing activities		**(1,468)**	(132)
Net increase in cash and cash equivalents		**54,644**	71,721
Cash and cash equivalents at 1 January	18(a)	**137,559**	65,864
Effect of foreign exchange rate changes		**(8)**	(26)
Cash and cash equivalents at 31 December	18(a)	**192,195**	137,559

The Notes on pages 70 to 142 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements of Sundy Service Group Co. Ltd (the "**Company**") and its subsidiaries (together referred to as the "**Group**") have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirement of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interest in a joint venture.

The Company was incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 January 2021 (the "**Listing**"). The principal activities of the Group are the provision of property management services and related services in the PRC.

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is the presentation currency. It is prepared on the historical cost basis.

RMB is the functional currency of the Company's subsidiaries established in the mainland China. The functional currency of the Company and the Company's subsidiaries outside the mainland China are Hong Kong dollars. The Group translates the financial statements of the Company and the Company's subsidiaries outside mainland China from HKD into RMB.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. As disclosed in the prospectus of the Company dated 31 December 2020, the Group has adopted all applicable new IFRSs and amendments to IFRSs effective for the financial year beginning on 1 January 2020 consistently to all periods presented in the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 1(p) depending on the nature of the liability.

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Joint venture

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 Significant accounting policies (continued)

(e) Joint venture (continued)

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the joint venture.

If an investment in a joint venture becomes an investment in an associate, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over a joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(f)).

In the Group's statement of financial position, investment in a joint venture are stated at cost less impairment losses (see Note 1(k)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Other investments in debt and equity financial instruments

The Group's and the Company's policies for investments in debt and equity financial instruments, other than investments in subsidiaries and associates, are set out below:

Investments in debt and equity financial instruments are recognised/derecognised on the date the Group commits to purchasing/selling the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

1 Significant accounting policies (continued)

(f) Other investments in debt and equity financial instruments (continued)

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(t)(v)).

- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity financial instruments is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity financial instruments, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 1(t)(iv).

1 Significant accounting policies (continued)

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 1(j)(i)) to earn rental income and/or for capital appreciation. This includes property that is being constructed or developed for future use as investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in Note 1(t)(iii).

Depreciation is calculated to write off the costs of investment properties, less a residual value of 0%, if any, using the straight-line method over their lease term typically varying from 4 to 5 years.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment properties on a property-by-property basis. Any such property interest which has been classified as an investment properties is accounted for as if it were held under a finance lease (see Note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 1(j).

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(k)(ii)):

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Depreciation is calculated to write-off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Equipment and furniture	3 – 10 years
– Electronic equipment	3 – 5 years
– Motor vehicles	3 – 5 years
– Leasehold improvement	3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group and that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 1(k)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Trademark use rights	10 years
– Software	3 years

Both the period and method of amortisation are reviewed annually.

1 Significant accounting policies (continued)

(j) Leased assets

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains a lease component and non-lease component, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies (continued)

(j) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 1(k)(ii)). Depreciation is calculated to write off the costs of right-of-use asset, less a residual value of 0%, if any, using the straight-line method over their lease terms.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment properties in "right-of-use assets" and presents lease liabilities separately in the statement of financial position.

1 Significant accounting policies (continued)

(j) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 1(t)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– Financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

– Contract assets as defined in IFRS 15 (see Note 1(m))

Financial assets measured at fair value are not subject to the ECL assessment.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– Fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– Variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs (continued)

Loss allowances for trade receivables, amounts due from related parties (trade nature) and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic condition at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instruments credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 1(t)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– Significant financial difficulties of the debtor;

– Significant decrease in property management and other service fees collection rate;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– The disappearance of an active market for a security because of financial difficulties of the issuer.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– Intangible assets;

– Right-of-use assets;

– Investment properties;

– Investment in a joint venture; and

– Investments in a subsidiary in the Company's statement of financial position.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(l) Inventories and other contract costs

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 1(l)(i)) and property, plant and equipment (see Note 1(h)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

1 Significant accounting policies (continued)

(l) Inventories and other contract costs (continued)

(ii) Other contract costs (continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 1(t).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 1(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 1(n)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 1(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 1(n)).

1 Significant accounting policies (continued)

(m) Contract assets and contract liabilities (continued)

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 1(t)(v)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 1(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 1(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 1(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (continued)

(q) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 Significant accounting policies (continued)

(r) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 Significant accounting policies (continued)

(r) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(s) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(t) Revenue and other income recognition

Income is classified by the Group as revenue when it arises from sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

1 Significant accounting policies (continued)

(t) Revenue and other income recognition (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Property management service, value-added services to non-property owners and community value-added services.

For property management services, the Group recognises revenue equal to the amount for which the Group has the right to invoice based on the value of the performance completed on a monthly basis.

For property management service income arising from properties managed on a lump sum basis, where the Group acts as principal, the Group is entitled to revenue at the value of the property management service fee received. For property management service income arising from properties managed on a commission basis, where the Group acts as an agent of the property owners, the Group is entitled to revenue at a pre-determined percentage or fixed amount of the property management service fees that the property owners are obligated to pay.

Value-added services to non-property owners mainly include consulting services, sale assistance services and pre-delivery services. The Group recognises revenue when the services are provided based on the value of the performance completed on a monthly basis.

Community value-added services mainly include remodelling and decoration, property repair and maintenance, waste cleaning, utility fee collection and community space services. For remodelling services, when the outcome can be reasonably measured, revenue from the remodelling and decoration agreement is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. And when the outcome cannot be reasonably measured, revenue from the remodelling and decoration agreement is recognised only to the extent of contract costs incurred that are expected to be recovered. For other community value-added services, the Group recognises revenue when the services are rendered.

(ii) Hotel business

Revenue from hotel business services is mainly comprised of management services on rooms, commercial shopping arcades, food and beverage and ancillary services. Except for revenue from food and beverage and ancillary services which is recognised at the point in time when the services are rendered, revenue from other hotel business services is recognised overtime in the accounting period in which the services are rendered.

1 Significant accounting policies (continued)

(t) Revenue and other income recognition (continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Dividends

Dividend income from unlisted investments is recognised when the equity shareholder's right to receive the payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) of the asset (see Note 1(k)(i)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of recognised in other revenues.

1 Significant accounting policies (continued)

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 Significant accounting policies (continued)

(v) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various service lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty in the preparation of these financial statements are as follows:

(i) Impairment for trade and other receivables

The Group estimates impairment losses for bad and doubtful debts by using expected credit loss models. Expected credit loss on these trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions related to the operating environment of the Group and require a significant level of judgement on the part of the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

3 Revenue and segment report

(a) Revenue

The principal activities of the Group are the provision of property management services, value-added services to non-property owners and community value-added services, hotel business and long-term rental apartment business.

Revenue represents income from property management services, value-added services to non-property owners and community value-added services, income from hotel business and rental income from long-term rental apartment business.

The amount of each significant category of revenue and cost of sales recognised in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2020		2019	
	Revenue RMB'000	**Cost of sales RMB'000**	Revenue RMB'000	Cost of sales RMB'000
Revenue from contracts with customers within the scope of IFRS 15				
Revenue recognised over time:				
Property management services	**128,183**	**101,239**	95,659	75,558
Value-added services to non-property owners	**69,129**	**42,703**	51,548	31,913
Community value-added services	**42,462**	**19,922**	54,587	32,427
Hotel business				
– Rooms operation services	**12,869**	**12,694**	16,620	15,349
	252,643	**176,558**	218,414	155,247
Revenue recognised at point in time:				
Hotel business				
– Sales of food and beverage	**188**	**111**	216	152
Revenue from other sources				
Gross rentals from investment properties:				
Long-term rental apartment business	**1,918**	**1,287**	2,110	1,357
Hotel business – leasing of commercial shopping arcades	**1,954**	**889**	1,734	849
	3,872	**2,176**	3,844	2,206
	256,703	**178,845**	222,474	157,605

Note: For the year ended 31 December 2020, the revenue from Sundy Holdings Group, a related party of the Group, accounted for 36% (2019: 36%) of the Group's revenue. The Group has a large number of customers in addition to Sundy Holdings Group, but none of them accounted for more than 10% or more of the Group's revenue during the year.

3 Revenue and segment report (continued)

(a) Revenue (continued)

(i) Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of respective periods

For property management services and value-added services to non-property owners, the Group recognises revenue in the amount to which the Group has the right to invoice that corresponds directly with the value of the performance completed to date. The Group has elected the practical expedient whereby it does not disclose the remaining performance obligations for these types of contracts. The majority of the property management agreements do not have a fixed term. The terms of the contracts for value-added services to non-property owners are generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services that involve in the provision of remodelling and decoration services, the aggregated amount of the transaction prices allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) under the Group's existing contracts as at 31 December 2020 is RMB1,447,000 (2019:RMB10,013,000). The amounts include the financing component of provision of remodelling and decoration services under which the Group obtains significant financing benefits from the customers (see Note 1(t)).

The following table shows the expected revenue of remodelling and decoration services will be recognised by the Group in future when the services are provided:

	2020	2019
	RMB'000	RMB'000
Within 1 year	**1,447**	7,470
After 1 year but within 2 years	**–**	2,543
	1,447	10,013

3 Revenue and segment report (continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines, including property management services and the corresponding value-added services, hotel business and long-term rental apartment business. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following segments.

- Property management services and the corresponding value-added services: this segment includes revenue generated from property management services, value-added services to non-property owners and community value-added services, including consulting and pre-delivery service, and other services.

- Hotel business services: this segment includes revenue generated from operating hotels, leasing of commercial shopping arcades located within the hotel buildings, as well as provision of food and beverage and ancillary services in such premises.

- Long-term rental apartment business: this segment includes operating long-term rental apartments within service apartment buildings.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets managed directly by the segments. Segment liabilities include all contract liabilities, trade and other payables, lease liabilities and other liabilities attributable to the business operation and managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's joint venture.

3 Revenue and segment report (continued)

(b) Segment reporting (continued)

(ii) Geographic information

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group's revenues were derived in the PRC during the year.

As at 31 December 2020 and 2019, all of the non-current assets of the Group were located in the PRC.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Property management services and the corresponding value-added services		Hotel business services		Long-term rental apartment services		Reconciling items		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	239,774	201,794	15,011	18,570	1,918	2,110	–	–	256,703	222,474
Inter-segment revenue	20	255	–	–	–	–	(20)	(255)	–	–
Reportable segment revenue	239,794	202,049	15,011	18,570	1,918	2,110	(20)	(255)	256,703	222,474
Reportable segment profit/(loss) (profit/(loss) before taxation)	43,375	45,560	(220)	716	369	240	–	–	43,524	46,516
Interest income	*1,357*	*3,232*	*11*	*5*	*4*	*3*	–	–	*1,372*	*3,240*
Interest expenses	*358*	*2,566*	–	–	*163*	*200*	–	–	*521*	*2,766*
Depreciation and amortisation	*452*	*444*	*4,022*	*3,816*	*971*	*971*	–	–	*5,445*	*5,231*
Reportable segment assets (including interests in a joint venture)	264,478	197,536	26,651	30,493	2,247	3,129	(12,215)	(15,500)	281,161	215,658
Investment in a joint venture	*1,550*	*1,284*	–	–	–	–	–	–	*1,550*	*1,284*
Additions to non-current segment assets during the year	*2,583*	*500*	–	*19*	–	–	–	–	*2,583*	*519*
Reportable segment liabilities	155,661	124,421	18,670	22,478	1,772	320	(12,215)	(15,500)	163,888	131,719

4 Other revenue and other net loss

	2020	2019
	RMB'000	RMB'000
Other revenue		
Government grants (Note (i))	**3,238**	40
Others	**965**	697
	4,203	737
Other net loss		
Net loss on disposal of a joint venture	**–**	(15)
Net gain on early termination of a lease contract	**–**	125
Net exchange loss	**–**	(112)
	–	(2)

(i) For the year ended 31 December 2020, the Group received the subsidy income of RMB2,636,000 from the relevant government in relation to the impact of the Coronavirus Disease 2019 ("**COVID-19**") (2019: Nil).

5 Profit before taxation

Profit before taxation is determined after (crediting)/charging:

(a) Net finance income

	2020	2019
	RMB'000	RMB'000
Interest income on bank deposits	**(1,372)**	(3,240)
Interest expenses on lease liabilities (Note 12)	**110**	259
Interest expenses on contract liabilities (Note 19)	**411**	2,507
Net finance income	**(851)**	(474)

5 Profit before taxation (continued)

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	54,926	46,072
Contributions to defined contribution scheme (Note (i))	352	3,704
	55,278	49,776
Included in:		
– Cost of sales	45,681	43,248
– Administrative expenses	9,597	6,528
	55,278	49,776

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds to the scheme to fund the retirement benefits of the employees. The contributions are calculated based on a certain percentage of the employees' salaries as agreed by the local municipal governments.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions of RMB3,135,000 to defined contribution scheme during the year ended 31 December 2020 (2019: Nil).

5 Profit before taxation (continued)

(c) Other items

	2020 RMB'000	2019 RMB'000
Depreciation charge		
– Property, plant and equipment (Note 10)	4,175	3,936
– Right-of-use assets (Note 12)	250	281
– Investment properties (Note 13)	968	968
Amortisation of intangible assets (Note 11)	52	46
Impairment losses		
– Trade receivables (Note 24(a))	2,585	465
Auditors' remuneration		
– Audit services	1,600	58
Listing expenses	19,022	8,677
Expenses related to short-term leases (Note 12)	499	340
Variable lease payments not included in the measurement of lease liabilities (Note 12)	2,888	3,843

6 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 RMB'000	2019 RMB'000
Current tax		
PRC Corporate Income Tax (Note 21(a))	11,140	11,287
Deferred tax		
Origination and reversal of temporary differences (Note 21(b))	(468)	(7)
	10,672	11,280

6 Income tax in the consolidated statements of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020	2019
	RMB'000	RMB'000
Profit before taxation	**43,524**	46,516
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (Note (i))	**10,886**	11,629
Tax effect of preferential tax rate	**(206)**	(40)
Tax effect of non-deductible expenses	**98**	243
Tax effect of share of results of a joint venture	**(67)**	(244)
Tax effect of tax losses and deductible temporary differences not recognised	**11**	12
Utilisation of deductible temporary differences not be recognised as deferred tax assets in the previous years	**(50)**	(320)
Actual tax expense	**10,672**	11,280

(i) Pursuant to the rules and regulations of the Cayman Island and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax rate applicable to the Group's subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the reporting periods is 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to the tax during the year ended 31 December 2020 (2019: Nil).

The Group's PRC subsidiaries are subject to the PRC income tax rate of 25%. For Hangzhou Lusong Property Service Co., Ltd. ("Lusong Property"), Hangzhou Herui Living Service Co., Ltd.("Herui Service") and Hangzhou Hongdu Information Engineering Co., Ltd., they were recognised as a small profit enterprise in 2020(2019：Lusong Property and Herui Service). The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20%. And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20%.

7 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020				
	Directors' fees RMB'000	**Salaries, allowances and benefits in kind RMB'000**	**Discretionary bonuses RMB'000**	**Retirement scheme contributions RMB'000**	**Total RMB'000**
Executive directors					
Zhu Jin (Note i)	**–**	**207**	**–**	**2**	**209**
Yu Yun (Note ii)	**–**	**326**	**14**	**–**	**340**
Shen Guangming (Note iii)	**–**	**745**	**240**	**–**	**985**
Cheng Huayong (Note iv)	**–**	**347**	**149**	**–**	**496**
	–	**1,625**	**403**	**2**	**2,030**

	2019				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Zhu Jin (Note i)	–	195	–	24	219
Cheng Huayong (Note iv)	–	187	77	12	276
	–	382	77	36	495

(i) Ms. Zhu Jin was appointed as director of the Company on 15 December 2019 and re-designated as executive director of the Company on 15 January 2020.

(ii) Ms Yu Yun was appointed as director of the Company on 15 December 2019 and re-designated as executive director of the Company on 15 January 2020.

(iii) Mr. Shen Guangming was appointed as executive director of the Company on 3 April 2020 and resigned on 1 March 2021.

(iv) Mr. Cheng Huayong was appointed as executive director of the Company on 3 April 2020. He is also key management personnel of the Group during the years ended 31 December 2020 and 2019 and his emoluments disclosed above include those for services rendered by him as key management personnel.

(v) Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick were appointed as independent non-executive directors of the Company on 17 December 2020. Each of these independent non-executive directors entered into a letter of appointment with the Company for a term of three years commencing from the date of the Listing. Mr. Zhu Yihua was appointed as executive director of the Company on 1 March 2021. During the years ended 31 December 2020 and 2019, no remuneration was paid to these directors as the services of these directors commenced subsequent to 31 December 2020.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2019: Nil) are directors of the Company whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2019: five) individuals are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowance, and benefits-in-kind	**1,719**	991
Discretionary bonuses	**605**	459
Retirement scheme contributions	**2**	44
	2,326	1,494

The emoluments of the three (2019: five) individuals with the highest emoluments are within the following bands:

	2020 **Number of** **individuals**	2019 Number of individuals
Nil – HKD1,000,000	**3**	5

(Expressed in Renminbi Yuan unless otherwise indicated)

9 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB32,658,000 (2019: RMB35,142,000) and the weighted average number of 2,400,000,000 shares in issue during the year ended 31 December 2020 (2019: RMB2,355,068,000) after adjusting for the capitalisation issue on 18 January 2021, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	**100,000,000**	500
Effect of issuance of shares (Note (i)(iii))	**–**	5,068,000
Effect of shares sub-division (Note (ii))	**–**	49,999,500
Effect of capitalisation issue on 18 January 2021 (Note (iv))	**2,300,000,000**	2,300,000,000
Weighted average number of ordinary shares at 31 December	**2,400,000,000**	2,355,068,000

(i) On the date of incorporation, the Company authorised and issued share capital of USD500 divided into 500 shares with a par value of US$1.00 each.

(ii) On 25 November 2019, the authorised share capital of the Company was increased from USD500 divided into 500 shares of USD1.00 each to USD50,000 divided into 50,000 shares of USD1.00 each by creation of additional 49,500 shares of USD1.00 each ranking pari passu in all aspects with the existing issued shares.

On 25 November 2019, each authorised and issued share of USD1.00 par value was subdivided into 100,000 shares of USD0.00001 par value each. Accordingly, the issued 500 shares of the Company before 25 November 2019 with par value of USD1.00 each were subdivided into 50,000,000 shares with par value of USD0.00001 each thereafter.

(iii) On 25 November 2019, the Company allotted and issued additional 50,000,000 shares of USD0.00001 par value each to the shareholders of the Company at the consideration of approximately HKD44,840,000 (equivalent to RMB40,334,500).

(iv) On 18 January 2021, the Company alloted and issued a total of 2,300,000,000 shares credited as fully paid at par by way of capitalisation of the sum of USD23,000 standing to the credit of the share premium account of the Company.

The number of ordinary shares outstanding before the capitalisation issue completed on 18 January 2021 was adjusted for the increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented.

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the years ended 31 December 2020 and 2019.

10 Property, plant and equipment

	Equipment and furniture RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost:						
At 1 January 2019	1,965	2,461	99	–	24,386	28,911
Additions	–	466	19	–	–	485
Disposals	–	(4)	–	–	–	(4)
At 31 December 2019	1,965	2,923	118	–	24,386	29,392
Additions	–	765	–	765	1,053	2,583
At 31 December 2020	**1,965**	**3,688**	**118**	**765**	**25,439**	**31,975**
Accumulated depreciation:						
At 1 January 2019	104	636	80	–	701	1,521
Charge for the year	531	587	6	–	2,812	3,936
Written back on disposals	–	(4)	–	–	–	(4)
At 31 December 2019	635	1,219	86	–	3,513	5,453
Charge for the year	531	694	7	–	2,943	4,175
At 31 December 2020	**1,166**	**1,913**	**93**	**–**	**6,456**	**9,628**
Net book value:						
At 31 December 2020	**799**	**1,775**	**25**	**765**	**18,983**	**22,347**
At 31 December 2019	1,330	1,704	32	–	20,873	23,939

11 Intangible assets

	Trademark use rights* RMB'000	Software RMB'000	Total RMB'000
Cost			
At 1 January 2019	416	–	416
Additions	–	34	34
At 31 December 2019	416	34	450
Additions	–	–	–
At 31 December 2020	**416**	**34**	**450**
Accumulated amortisation			
At 1 January 2019	67	–	67
Provided for the year	42	4	46
At 31 December 2019	109	4	113
Provided for the year	42	10	52
At 31 December 2020	**151**	**14**	**165**
Carrying value			
At 31 December 2020	**265**	**20**	**285**
At 31 December 2019	307	30	337

* On 18 May 2017, the Group entered into a Trademark Use Rights Agreement with Atour Hotel (Shanghai) Hotel Management Co., Ltd. ("Atour Hotel") (亞朵(上海)酒店管理有限公司). The agreement allows the Group to use the trademark "亞朵" of Atour Hotel as its brand for a certain number of hotel rooms for 10 years.

12 Right-of-use assets and lease liabilities

(a) Right-of-use assets

The Group leases certain buildings for its office, business operation and rental services. The lease terms are 4 and 5 years. For the right-of-use assets which meet the definition of investment properties, the Group recognises the right-of-use assets as investment properties (see Note 13).

12 Right-of-use assets and lease liabilities (continued)

(a) Right-of-use assets (continued)

The movements in right-of-use assets and lease liabilities during the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Right-of-use assets		
Leasehold buildings held for own use, carried at depreciated cost:		
Carrying amount at the beginning of the year	**500**	880
Early termination of a lease contract	**–**	(99)
Depreciation provided during the year	**(250)**	(281)
Carrying amount at the end of the year	**250**	500

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 **RMB'000**	2019 RMB'000
Depreciation charge for right-of-use assets by class of underlying assets:		
Leasehold buildings for own use	**250**	281
Leasehold investment properties (Note 13)	**968**	968
	1,218	1,249
Interest expenses on lease liabilities (Note 5(a))	**110**	259
Expenses related to short-term leases (Note 5(c))	**499**	340
Variable lease payments not included in the measurement of lease liabilities (Note 5(c))	**2,888**	3,843

12 Right-of-use assets and lease liabilities (continued)

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020		2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**1,121**	**1,144**	2,064	2,110
After 1 year but within 2 years	**8**	**9**	906	992
After 2 year but within 5 years	**–**	**–**	7	9
	8	**9**	913	1,001
	1,129	**1,153**	2,977	3,111
Less: total future interest expenses		**(24)**		(134)
Present value of lease liabilities		**1,129**		2,977

The effective interest rate of the Group's lease liabilities as at 31 December 2020 is 7.5% (2019: 7.5%).

13 Investment properties

	2020 RMB'000	2019 RMB'000
Leasehold investment properties, carried at depreciated cost:		
Carrying amount at the beginning of the year	**1,702**	2,670
Deprecation provided during the year	**(968)**	(968)
	734	1,702

The Group leases out investment properties through operating leases. The leases typically run for an initial period of 1 year, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

13 Investment properties (continued)

Undiscounted lease payments under non-cancellable operating leases in place at the report date will be receivable by the Group in future periods as follows:

	2020	2019
	RMB'000	RMB'000
Within 1 year	**908**	896

As at 31 December 2020, the fair value of the Group's leasehold investment properties was approximately RMB2,022,000 (2019: RMB4,804,000). These fair values are determined by the directors of the Company mainly with reference to the valuation, which is performed by AVISTA Business Consulting (Shanghai) Co., Ltd., an independent qualified professional valuer, using the discounted cash flow approach.

14 Investment in a joint venture

	2020	2019
	RMB'000	RMB'000
Share of net assets	**1,550**	1,284

The following list contains a joint venture of the Group, which is unlisted corporate entity, whose quoted market price is not available:

Name of joint venture	**Form of business structure**	**Place of incorporation and business**	**Registered/ issued capital**	**Effective interest held by the Group at 31 December**		**Principal**
				2020	2019	
Hangzhou Honghe Environmental Engineering Co., Ltd. ("Honghe Environmental") 杭州宏合環境工程有限公司	Incorporated	the PRC	RMB5,000,000/ RMB400,000	**40%**	40%	Landscape greening and environmental engineering

The PRC entity is a limited liability company. The English translation of the companies name are for reference only. The official name of this company is in Chinese.

According to the Articles of Association of Honghe Environmental, the Group jointly controls Honghe Environmental, together with other third party.

14 Investment in a joint venture (continued)

Summarised financial information of the joint venture, adjusted for fair value and any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2020 RMB'000	2019 RMB'000
Gross amounts of the joint venture		
Current assets	16,907	15,297
Non-current assets	9	13
Current liabilities	(13,041)	(12,100)
Equity	3,875	3,210
Included in the above assets and liabilities:		
Cash and cash equivalents	181	222

	2020 RMB'000	2019 RMB'000
Revenue	4,070	14,072
Profit from continuing operations	666	2,209
Total comprehensive income	666	2,209

	2020 RMB'000	2019 RMB'000
Reconciled to the Group's interests in the joint venture		
Gross amounts of net assets	3,875	3,210
Group's effective interest	40%	40%
Group's share of net assets of the joint venture	1,550	1,284
Carrying amount in the consolidated financial statements	1,550	1,284

15 Inventories

	2020 RMB'000	2019 RMB'000
Consumables	202	284

16 Trade and other receivables

	Note	**2020** **RMB'000**	2019 RMB'000
Trade receivables			
– Related parties	27(d)	**8,545**	2,276
– Third parties		**29,001**	20,092
Less: loss allowance		**(7,851)**	(5,266)
		29,695	17,102
Other debtors			
– Related parties	27(d)	**3,422**	4,717
– Third parties		**4,191**	6,150
		7,613	10,867
Financial assets measured at amortised cost		**37,308**	27,969
Deposits and prepayments			
– Prepayments in connection with listing expenses		**7,768**	2,645
– Others		**6,008**	3,055
		13,776	5,700
		51,084	33,669

Trade receivables are primarily related to revenue recognised from the provision of property management services, value-added services to non-property owners, community value-added services and hotel business.

16 Trade and other receivables (continued)

(a) Ageing analysis

As at 31 December 2020, the ageing analysis of trade receivables based on the date of revenue recognition and net of loss allowance is as follows:

	2020 **RMB'000**	2019 RMB'000
Related parties		
0 to 180 days	**8,545**	2,276
Third parties		
0 to 180 days	**15,492**	10,067
181 to 365 days	**4,330**	3,602
1 to 2 years	**1,328**	1,157
	21,150	14,826
	29,695	17,102

Trade receivables are due when the receivables are recognised.

17 Restricted bank balances

	Note	**2020** **RMB'000**	2019 RMB'000
Cash collected on behalf of the property owners' associations	20	**8,501**	5,778

The Group collects cash on behalf of the property owners' associations as part of its property management service business. Since the property owners' associations often face difficulties opening bank accounts, the Group opens and manages these bank accounts on behalf of the property owners' associations.

18 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2020 RMB'000	2019 RMB'000
Cash on hand	**17**	26
Cash at bank	**200,679**	143,311
	200,696	143,337
Less: restricted bank balances (Note 17)	**(8,501)**	(5,778)
	192,195	137,559

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**43,524**	46,516
Adjustments for:			
Depreciation of property, plant and equipment	10	**4,175**	3,936
Amortisation of intangible assets	11	**52**	46
Depreciation of right-of-use assets	12	**250**	281
Depreciation of investment properties	13	**968**	968
Finance income	5(a)	**(1,372)**	(3,240)
Finance costs	5(a)	**521**	2,766
Net loss on disposal of a joint venture	4	**–**	15
Net gain on early termination of a right-of-use asset	4	**–**	(125)
Share of profit of a joint venture	14	**(266)**	(976)
Impairment losses on trade and other receivables	5(c)	**2,585**	465
Changes in working capital:			
Decrease/(increase) in inventories		**82**	(257)
Increase in contract assets and trade and other receivables		**(15,439)**	(9,737)
Increase in contract liabilities and trade and other payables		**42,218**	8,470
Increase in restricted cash		**(2,723)**	(2,187)
Cash generated from operations		**74,575**	46,941

18 Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	**Lease liabilities RMB'000**
At 1 January 2019		5,134
Changes from financing cash flows:		
Capital element of lease rentals paid		(1,879)
Interest element of lease rentals paid		(311)
Total changes from financing cash flows		(2,190)
Other changes:		
Finance costs	5(a)	259
Early termination of a right-of-use asset		(226)
Total other changes		33
At 31 December 2019 and 1 January 2020		2,977
Changes from financing cash flows:		
Capital element of lease rentals paid		(1,857)
Interest element of lease rentals paid		(101)
Total changes from financing cash flows		(1,958)
Other change:		
Finance costs	5(a)	110
Total other changes		110
At 31 December 2020		**1,129**

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**2,231**	4,811
Within financing cash flows	**1,958**	2,190
	4,189	7,001

19 Contract assets and contract liabilities

(a) Contract assets

	2020 RMB'000	2019 RMB'000
Arising from performance under remodelling and decoration agreements	538	7,599

Contract assets are initially recognised for revenue earned from the remodelling and decoration services provided to Sundy Holdings Group on behalf of individual property owners before the properties are sold to individual property owners. The consideration will be received i) from individual property owners when signing property sale agreement, or from Sundy Holdings Group within 12 months from the date of signing property sale agreement if such service fee is not paid by individual property owner in respect of sold units; or ii) from Sundy Holdings Group within 12 months from the date of signing the cooperation agreement with Sundy Holdings Group in respect of unsold units.

The amount of contract assets that is expected to be recovered in one year is RMB538,000 as at 31 December 2020 (2019: RMB7,599,000).

(b) Contract liabilities

	2020 RMB'000	2019 RMB'000
Property management services	26,909	17,541
Value-added services to non-property owners	2,222	11,796
Community value-added services	5,188	13,629
Other services	–	60
Total contract liabilities	34,319	43,026
Included in:		
Current liabilities	34,319	40,483
Non-current liabilities	–	2,543
	34,319	43,026

19 Contract assets and contract liabilities (continued)

(b) Contract liabilities (continued)

Changes in contract liabilities were as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**43,026**	47,798
Decrease in contract liabilities as a result of recognising revenue during the year that was included in contract liabilities at the beginning of the year	**(35,769)**	(40,640)
Increase in contract liabilities as a result of cash receipts in advance from customers	**26,651**	33,361
Increase in contract liabilities as a result of accruing interest expense on advance	**411**	2,507
At 31 December	**34,319**	43,026

20 Trade and other payables

	Note	2020 RMB'000	2019 RMB'000
Trade payables			
– Related parties	(a)	**2,242**	327
– Third parties	(b)	**50,008**	26,274
		52,250	26,601
Other payables			
– Related parties	(a)	**1,711**	1,711
– Deposits	(c)	**4,847**	4,984
– Other taxes and surcharges payable		**2,187**	3,402
– Cash collected on behalf of the property owners' associations		**8,501**	5,778
– Temporary receipts from property owners	(d)	**24,746**	17,811
– Listing expenses		**11,767**	–
– Others		**3,841**	461
		57,600	34,147
Financial liabilities measured at amortised cost		**109,850**	60,748
Accrued payroll and other benefits		**15,778**	14,071
		125,628	74,819

20 Trade and other payables (continued)

(a) The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in Note 27(d).

(b) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers.

(c) Deposits mainly represent miscellaneous decoration deposits received from property owners for the decoration period.

(d) Temporary receipts represent utility charges received from property owners on behalf of utility companies.

As at 31 December 2020, the ageing analysis of trade payables, based on invoice date is as follows:

	2020	2019
	RMB'000	RMB'000
Related parties		
Within 1 year	**2,242**	327
Third parties		
Within 1 year	**43,629**	21,579
After 1 year but within 2 years	**2,132**	4,001
After 2 year but within 3 years	**3,581**	158
Over 3 years	**666**	536
	50,008	26,274
	52,250	26,601

21 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2020 RMB'000	2019 RMB'000
PRC Corporate Income Tax		
At 1 January	10,513	9,209
Charged to profit or loss	11,140	11,287
Payments during the year	(19,588)	(9,983)
At 31 December	2,065	10,513

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Impairment losses on trade and other receivables RMB'000	Right-of-use assets RMB'000	Accrued expenses RMB'000	Provision RMB'000	Total RMB'000
At 1 January 2019	1,200	19	1,670	111	3,000
Credited/(charged) to profit or loss	117	(29)	30	(111)	7
At 31 December 2019	1,317	(10)	1,700	–	3,007
Credited/(charged) to profit or loss	647	35	(214)	–	468
At 31 December 2020	1,964	25	1,486	–	3,475

21 Income tax in the consolidated statement of financial position (continued)

(c) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	2020 **RMB'000**	2019 RMB'000
Unused tax losses – PRC	**709**	76
Deductible temporary differences	**982**	1,740
	1,691	1,816

In accordance with the accounting policy set out in Note 1(r), the Group has not recognised deferred tax assets of RMB169,000 (2019: RMB19,000) in respect of unused tax losses, and of RMB246,000 (2019: RMB435,000) in respect of deductible temporary differences of certain subsidiaries of the Group as at 31 December 2020. The directors consider it is not probable that future taxable profits against which the tax losses or the deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant PRC laws and regulations, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2020 **RMB'000**	2019 RMB'000
2023	**28**	28
2024	**–**	48
2025	**76**	–
2028	**605**	–
	709	76

All the tax losses of subsidiaries in the Mainland China can be carried forward for a maximum period of five years. Pursuant to the Notice No.8 issued by the Ministry of Finance and the State Administration of Taxation of the PRC on 6 February 2020, the maximum carried forward period of the tax losses affected by COVID-19 in certain difficult industries, such as hotel industry, is extended from five years to eight years.

21 Income tax in the consolidated statement of financial position (continued)

(d) Deferred tax liabilities not recognised

According to the PRC's corporate income tax laws and implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to a 10% withholding tax, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

The Group has not recognised deferred tax liabilities as at 31 December 2020 in respect of undistributed earnings of RMB97,565,000 (2019:RMB68,097,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

22 Provisions

	2020	2019
	RMB'000	RMB'000
At 1 January	**–**	443
Provisions utilised	**–**	(443)
At 31 December	**–**	–

The Group involved in contracts with certain communities that were operating at a loss. The obligation for the future payments of these communities, net of expected property management service income, has been provided for.

23 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

Details of the changes in the Company's individuals component of equity during the year are set out below:

Company	Note	Share capital RMB'000 Note 23(b)	Share premium RMB'000 Note 23(d)(i)	Exchange reserve RMB'000 Note 23(d)(iv)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019		–	–	–	–	–
Changes in equity for 2019:						
Issue of shares	23(b)	7	40,331	–	–	40,338
At 31 December 2019 and 1 January 2020		**7**	**40,331**	**–**	**–**	**40,338**
Change in equity for 2020:						
Total comprehensive income for the year						
Loss for the year		**–**	**–**	**–**	**(1)**	**(1)**
Other comprehensive income		**–**	**–**	**(2,591)**	**–**	**(2,591)**
Total comprehensive income for the year		**–**	**–**	**(2,591)**	**(1)**	**(2,592)**
At 31 December 2020		**7**	**40,331**	**(2,591)**	**(1)**	**37,746**

23 Capital, reserves and dividends (continued)

(b) Share capital

(i) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 5 May 2017 with an authorised share capital of USD500 divided into 500 shares with a par value of USD1.00 each.

(ii) On 25 November 2019, the authorised share capital of the Company was increased from USD500 divided into 500 shares of USD1.00 each to USD50,000 divided into 50,000 shares of USD1.00 each by creation of additional 49,500 shares of USD1.00 each ranking pari passu in all aspects with the existing issued shares.

(iii) On 25 November 2019, the authorised share capital of the Company was increased from USD500 divided into 500 shares of USD1.00 each to USD50,000 divided into 50,000 shares of USD1.00 each by creation of additional 49,500 shares of USD1.00 each ranking pari passu in all aspects with the existing issued shares.

(iv) On 25 November 2019, the Company allotted and issued additional 50,000,000 shares to the shareholders of the Company at the consideration of approximately HKD44,840,000 (equivalent to RMB40,334,500). The amount was fully paid on 25 November 2019.

(c) Dividends

No dividend has been declared by the Company during the year ended 31 December 2020 (2019: Nil)

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the consideration and the par value of the issued and paid up shares of the Company.

(ii) Capital reserve

Capital reserve represents the reserve arose from the reorganisation of the Group for the purpose of the Company's Listing on the Stock Exchange.

23 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(iii) PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. These statutory reserves are established until the reserve balance reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, statutory reserves can be used to cover previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of mainland China. The reserve is handled with in accordance with the accounting policies set out in Note 1(u).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. To this end, the Group aims to price services commensurately with the level of risk and secure access to financing at a reasonable cost. The Group's overall strategy remained unchanged throughout the reporting periods.

The Group monitors its capital structure based on the adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital represents total equity attributable to equity shareholders of the Company, less unaccrued proposed dividends.

As at 31 December 2020 and 2019, the Group maintained at net cash position.

24 Financial risk management

Exposure to credit risk, liquidity risk and interest rate risk occurs in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash at bank and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash at bank is mainly held by well-known financial institutions. Management does not foresee any significant credit risks arising from these deposits and does not expect that these financial institutions will default and cause losses to the Group.

In respect of amounts due from related parties, the Group has determined that the expected credit loss rate for these receivables is minimal. Thus no loss allowance provision for these receivables was recognised during the year ended 31 December 2020 (2019: Nil).

In respect of prepayments, deposits and other receivables except for other receivables due from certain customers as mentioned below, the Group has assessed that the expected credit loss rate for these receivables is minimal under 12 months expected credit losses method based on historical settlement records and forward-looking information (including the economic environment). Thus no loss allowance provision for these receivables was recognised during the year ended 31 December 2020 (2019: Nil).

24 Financial risk management (continued)

(a) Credit risk (continued)

In respect of trade receivables due from third parties, the Group measures loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group considers a default event to have occurred when there is a significant decrease in the collection rate for property management and other service fees, and estimates the expected credit loss rate. For trade receivables related to non-property management services, such as value-added services to non-property owners, these receivables are normally settled within 6 months. The Group has determined that the expected credit loss rate for these receivables is immaterial under the lifetime ECLs method based on historical settlement records and forward-looking information (including the economic environment).

For trade and other receivables, management of the Group have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables from third parties as at 31 December 2020 and 2019.

At 31 December 2020	**Expected loss rate**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Non-property management services			
Within 6 months	**–**	**5,458**	**–**
Property management services			
Within 1 year	**18%**	**17,515**	**3,151**
1 to 2 years	**59%**	**3,250**	**1,922**
Over 2 years	**100%**	**2,778**	**2,778**
Total		**29,001**	**7,851**

At 31 December 2019	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Non-property management services			
Within 6 months	–	4,813	–
Property management services			
Within 1 year	19%	10,885	2,029
1 to 2 years	68%	3,647	2,490
Over 2 years	100%	747	747
Total		20,092	5,266

24 Financial risk management (continued)

(a) Credit risk (continued)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the periods over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

In addition to the credit risk management policy stated above, the Group considers the probability of default upon initial recognition of assets and considers whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on an asset as at the end of each reporting period with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward-looking information that is available. Details of indicators are disclosed in Note 1 (k)(i).

The movement in the allowance for impairment of trade receivables and other receivables during the year, including both specific and collective loss components, is as follows:

Impairment of trade receivables

	Note	**2020**	2019
		RMB'000	RMB'000
At 1 January		**5,266**	4,801
Impairment loss recognised	(i)	**2,585**	465
At 31 December		**7,851**	5,266

(i) At 31 December 2020 and 2019, none of the trade receivables was individually determined to be impaired. The allowances for doubtful debts of RMB7,851,000 for trade receivables recognised at 31 December 2020 (2019: RMB5,266,000), were made at each reporting date based on a collective group basis assessment by ageing of trade receivables.

There were no trade receivables that were past due but not impaired at the end of each reporting period.

24 Financial risk management (continued)

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis. This includes reviewing the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities. These liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2020 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Trade and other payables	**109,850**	**–**	**–**	**109,850**	**109,850**
Lease liabilities	**1,144**	**–**	**–**	**1,144**	**1,121**
Lease liabilities non-current	**–**	**9**	**–**	**9**	**8**
	110,994	**9**	**–**	**111,003**	**110,979**

	As at 31 December 2019 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables	60,748	–	–	60,748	60,748
Lease liabilities	2,110	–	–	2,110	2,064
Lease liabilities non-current	–	992	9	1,001	913
	62,858	992	9	63,859	63,725

24 Financial risk management (continued)

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at 31 December 2020 and 2019 are cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant.

The Group does not have any fixed rate financial instruments at fair value through profit or loss. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss.

Overall, the Group's exposure to interest rate risk is not significant.

25 Capital commitments

The Group did not have any material capital commitments as at 31 December 2020 and 2019.

26 Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

27 Material related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following significant related party transactions for the year ended 31 December 2020.

(a) Name of and relationship with related parties

During the year, transactions with the following parties are considered as related party transactions:

Name of related party	Relationship with the Group
Mr. Yu Jianwu 俞建午先生	Controlling shareholder of the Company
Sundy Holdings and its subsidiaries ("Sundy Holdings Group") 浙江宋都控股有限公司及其附屬公司 including (i) Sundy Land Investment Co., Ltd. ("Sundy Land") and its subsidiaries 宋都基業投資股份有限公司及其附屬公司; and (ii) Zhejiang Zhizhonghe Industry Co., Ltd. ("Zhizhonghe Industry") and its subsidiaries 浙江致中和實業有限公司及其附屬公司	Corporate controlled by Mr. Yu Jianwu
Tonglu Daqi County Real Estate Co., Ltd. 桐廬大奇山郡置業有限公司	Joint venture of Sundy Holdings
Ningbo Fenghua Hedu Real Estate Development Co., Ltd. 寧波奉化和都房地產開發有限公司	Joint venture of Sundy Holdings
Zhoushan Rongdu Property Co., Ltd. 舟山榮都置業有限公司	Joint venture of Sundy Holdings
Deqing Dening Real Estate Co., Ltd. 德清德寧置業有限公司	Joint venture of Sundy Holdings
Greenland Holdings Corporation Hangzhou Twin Towers Property Co., Ltd. 綠地控股集團杭州雙塔置業有限公司	Joint venture of Sundy Holdings
Quzhou Ronsheng Property Co., Ltd. 衢州融晟置業有限公司	Associate of Sundy Holdings
Zhoushan Hongdu Real Estate Co., Ltd. 舟山弘都置業有限公司	Associate of Sundy Holdings
Shaoxing Guangdu Real Estate Development Co., Ltd. 紹興廣都房地產開發有限公司	Associate of Sundy Holdings
Guigang Dalong Property Co., Ltd. 貴港大龍置業有限公司	Associate of Sundy Holdings
Hangzhou Jinxing Real Estate Development Co., Ltd. 杭州金興房地產開發有限公司	Associate of Sundy Holdings
Hangzhou Sundy Yangguang Kindergarten Co., Ltd ("Sundy Yangguang Kindergarten") 杭州宋都陽光幼兒園有限公司	Corporate significantly influenced by Mr. Yu Jianwu
Shanghai Greenland Property Services Co., Ltd. ("Greenland Property") 上海綠地物業服務公司	Non-controlling shareholder of Lusong Property

The English translation of the company name is for reference only. The official names of these companies are in Chinese.

27 Material related party transactions (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and the highest paid employees as disclosed in Note 8, is as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,609**	728
Discretionary bonuses	**751**	315
Retirement scheme contributions	**3**	48
	3,363	1,091

Total remuneration is included in "staff costs" (see Note 5(b)).

(c) Significant related party transactions

The particulars of significant transactions between the Group and the above related parties for the year ended 31 December 2020 presented are as follows:

Significant related party transactions

	2020	2019
	RMB'000	RMB'000
Property management services and the corresponding value-added services:		
(i) Property management services		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	**21,906**	23,178
– Zhizhonghe Industry and its subsidiaries	**1,598**	1,632
– Associates and joint ventures of Sundy Holdings	**1,940**	1,039
– Sundy Yangguang Kindergarten	**36**	72
(ii) Value-added services to non-property owners		
– Sundy Land and its subsidiaries	**49,024**	40,171
– Associates and joint ventures of Sundy Holdings	**13,966**	7,077
(iii) Remodelling and decoration of property units (a)		
– Sundy Land and its subsidiaries	**12,262**	7,599
– Associates and joint ventures of Sundy Holdings	**511**	–
(iv) Other community value-added services		
– Sundy Land and its subsidiaries	**7,914**	6,535
– Associates and joint ventures of Sundy Holdings	**82**	10

27 Material related party transactions (continued)

(c) Significant related party transactions (continued)

Significant related party transactions (continued)

	2020 RMB'000	2019 RMB'000
Hotel business services (b)		
(i) Hotel operation income from:		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	113	32
– Zhizhonghe Industry and its subsidiaries	–	25
– Associates and joint ventures of Sundy Holdings	2	–
(ii) Variable lease expenses to:		
– Sundy Land and its subsidiaries	2,888	3,843
Long-term rental apartment business		
Rental income from:		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	–	238
– Zhizhonghe Industry and its subsidiaries	23	–
Leases of office buildings and staff dormitories		
(i) Interest expenses for lease liabilities		
– Sundy Land and its subsidiaries	28	62
(ii) Payments of lease liabilities		
– Sundy Land and its subsidiaries	274	267
(iii) Short-term lease expenses to		
– Sundy Holdings and its other subsidiaries	29	11
Purchase goods from:		
– Zhizhonghe Industry and its subsidiaries	525	204
Related party loans:		
(i) Lending of loans to:		
– Sundy Land and its subsidiaries	–	129,000
– Sundy Yangguang Kindergarten	–	673
(ii) Repayments of loans by:		
– Sundy Land and its subsidiaries	–	(152,000)
– Sundy Yangguang Kindergarten	–	(5,238)
(iii) Interest Income:		
– Sundy Land and its subsidiaries	–	2,156
– Sundy Yangguang Kindergarten	–	282

27 Material related party transactions (continued)

(c) Significant related party transactions (continued)

(a) Remodelling and decoration of property units

For certain residential properties and apartments sold by related parties to individual property owners, the Group simultaneously entered into a remodelling and decoration agreement with each property purchaser when the latter signed the sales and purchase agreements for the properties with such related parties. Also, when circumstances permitted by rules and regulations from time to time, the Group also entered into co-operation agreements with such related parties to provide remodelling and decoration services for remaining unsold units of properties under the same residential area or apartments, pursuant to which the property developer acted in the capacity of property owner to appoint the Group for providing the standardised remodeling and decoration services. When those unsold units were sold out, such related parties will request the individual property purchaser to sign the same remodelling and decoration agreement with the Group and pay the decoration fee to the Group directly. In accordance with the co-operation agreement, such related parties shall be held responsible for paying remodelling and decoration fee within 12 months from the date of signing property sale and purchase agreement if such service fee is not paid by individual property purchase, or within 12 months from the date of signing the cooperation agreement with such related parties.

For the year ended 31 December 2020, the Group recognised remodelling and decoration of property units services revenue of RMB22,433,000 (2019: RMB34,895,000), in total of which, RMB12,773,000 (2019: RMB7,599,000) was related to service provided to such related parties before the properties are sold to individual property purchasers in accordance with the cooperation agreement.

(b) Hotel business

The Group leased one hotel premise from Hangzhou Sundy Real Estate Group Co., Ltd. ("Sundy Real Estate") (杭州宋都房地產集團有限公司), which is a wholly-owned subsidiary of Sundy Land for its hotel business under variable lease term in 2017. According to the hotel lease agreement signed with Sundy Real Estate dated 1 November 2017, the Group is required to pay 15% of the revenue from hotel operation in its first six months of operation, i.e. October 2018, and then 20% of the revenue from hotel operation from the seventh month of operation onwards. In addition, the Group is required to pay 60% of the rental income from 2019 when the Group sub-lets the shops in the hotel premise.

The leasing period is three years commencing from the delivery of hotel premise in October 2018. Sundy Real Estate is also committed to lease the hotel premise to the Group for another 7 years with the lease terms unchanged.

(c) For the year ended 31 December 2020, the royalty fees paid by the Group to Sundy Real Estate was nil (2019: Nil).

27 Material related party transactions (continued)

(c) Significant related party transactions (continued)

(d) Balances with related parties

	2020 RMB'000	2019 RMB'000
Trade related		
Trade receivables		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	3,605	916
– Zhizhonghe Industry and its subsidiaries	78	3
– Associates and joint ventures of Sundy Holdings	4,862	1,357
	8,545	2,276
Trade payables		
– Sundy Holdings Group		
– Sundy Land and its subsidiaries	2,184	327
– Zhizhonghe Industry and its subsidiaries	58	–
	2,242	327
Contract assets		
– Sundy Land and its subsidiaries	48	7,599
– Associates and joint ventures of Sundy Holdings	490	–
	538	7,599
Contract liabilities		
– Sundy Land and its subsidiaries	7,391	15,488
Non-trade related		
Other receivables		
– Sundy Holdings and its other subsidiaries	–	1,295
– Joint venture of Sundy Holdings (Note i)	3,422	3,422
	3,422	4,717
Other payables		
– Greenland Property (Note ii)	1,711	1,711
Lease liabilities		
– Sundy Land and its subsidiaries (Note iii)	352	461

Note:

(i) The balance of other receivables due from joint venture of Sundy Holdings as at 31 December 2020 includes certain performance guarantee deposit of RMB3,422,000 (2019: RMB3,422,000) to secure the quality of property management services provided to Twin Towers Property.

(ii) The balance of other payables due to Greenland Property has been settled in January 2021.

(iii) The balance of lease liabilities as at 31 December 2020 will be settled in accordance with the payment terms of respective lease contracts.

27 Material related party transactions (continued)

(c) Significant related party transactions (continued)

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of provision of property management services and the corresponding value-added services and hotel operation services to Sundy Land and its subsidiaries, Zhizhonghe Industry and its subsidiaries and Sundy Yangguang Kindergarten, and hotel variable lease expenses to Sundy Land and its subsidiaries above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "CONTINUING CONNECTED TRANSACTIONS" of the Report of Directors.

The related party transactions in respect of long-term rental apartment leasing services to Zhizhonghe Industry and its subsidiaries, purchasing goods from Zhizhonghe Industry and its subsidiaries and using trademarks of Sundy Real Estate above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

28 Company-level statement of financial position

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment in a subsidiary		37,739	40,329
Current assets			
Cash and cash equivalents		7	9
Net current assets		7	9
Total assets less current liabilities		37,746	40,338
NET ASSETS		37,746	40,338
CAPITAL AND RESERVES	23(a)		
Share capital		7	7
Reserves		37,739	40,331
TOTAL EQUITY		37,746	40,338

(Expressed in Renminbi Yuan unless otherwise indicated)

28 Company-level statement of financial position (continued)

Particulars of the Company's subsidiaries are as follows:

			Proportion of ownership interest			
Name of company	Place and date of establishment / incorporation/ type of legal entity	Registered/ issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
HUI DU GROUP CO. LTD	British Virgin Island ("BVI") 26 October 2017 Limited liability company	Not applicable/ USD50,000	100%	100%	–	Investment holding
RONG DU GROUP CO. LIMITED	Hong Kong 20 November 2017 Limited liability company	Not applicable/ HKD44,830,000	100%	–	100%	Investment holding
Hangzhou Xingrun Enterprise Management Co., Ltd. 杭州興潤企業管理有限公司*	The PRC 28 December 2017 Limited liability company	RMB40,000,000/ RMB40,000,000	100%	–	100%	Investment holding
Hangzhou Sundy Property Management Co., Ltd. 杭州宋都物業經營管理有限公司*	The PRC 8 January 1995 Limited liability company	RMB51,000,000/ RMB51,000,000	100%	–	100%	Property management services
Hangzhou Songdu Exhibition Co., Ltd. 杭州頌都會展有限公司*	The PRC 15 June 2016 Limited liability company	RMB1,000,000/ RMB1,000,000	100%	–	100%	Remodelling and decoration services
Hangzhou Sundy Real Estate Agency Co., Ltd. 杭州宋都房地產代理有限公司*	The PRC 7 March 2017 Limited liability company	RMB1,000,000/ RMB1,000,000	100%	–	100%	Property brokerage services
Hangzhou Sundy Jiahe Hotel Management Co., Ltd. 杭州宋都嘉和酒店管理有限公司*	The PRC 24 January 2017 Limited liability company	RMB10,000,000/ RMB10,000,000	100%	–	100%	Hotel management and property agent services

(Expressed in Renminbi Yuan unless otherwise indicated)

28 Company-level statement of financial position (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Name of company	Place and date of establishment / incorporation/ type of legal entity	Registered/ issued and paid-in capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Lusong Property 杭州綠宋物業服務有限公司*	The PRC 6 May 2019 Limited liability company	RMB5,000,000/ RMB3,000,000	50%**	–	50%**	Property management services
Hangzhou Hongdu Information Engineering Co., Ltd. 杭州鴻都信息工程有限公司*	The PRC 20 August 2019 Limited liability company	RMB10,000,000/ Nil	100%	–	100%	Information engineering technology
Herui Service 杭州和瑞生活服務有限公司*	The PRC 7 November 2019 Limited liability company	RMB10,000,000/ RMB2,000,000	100%	–	100%	Property management services
Jilin Sundy Property Management Service Co., Ltd. 吉林宋都物業服務有限公司*	The PRC 23 June 2020 Limited liability company	RMB1,000,000/ RMB1,000,000	51%	–	51%	Property management services
Ningbo Fenghua Sundy Property Service Co., Ltd. 寧波奉化宋都物業有限公司*	The PRC 23 November 2020 Limited liability company	RMB5,000,000/ Nil	100%	–	100%	Property management services
Shangqiu Sundy Property Service Co., Ltd. 商丘宋都物業服務有限公司*	The PRC 19 March 2021 Limited liability company	RMB5,000,000/ Nil	100%	–	100%	Property management services

* The official names of these entities are in Chinese. The English names are for identification purpose only.

** Pursuant to the agreement dated 5 May 2019, the Group could control 51% voting rights of the entity and the board of directors, and could control the financial and operating policies of the entity.

(Expressed in Renminbi Yuan unless otherwise indicated)

29 Immediate and ultimate controlling party

At 31 December 2020 and 2019, the directors consider the immediate parent to be SUNDY HEYE LIMITED ("**Sundy Heye**"), which is incorporated in Cayman island, and ultimate controlling party of the Group to be Mr.Yu Jianwu.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an Investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

31 Non-adjusting events after the reporting period

On 18 January 2021, the Company issued 800,000,000 shares with par value of US$0.00001 each, at a price of HKD0.25 per share by initial public offering. Gross proceeds from such issue amounted to HKD200,000,000 before deducting underwriting fees, commissions and related expenses.

On the same day, the Company allotted and issued a total of 2,300,000,000 shares credited as fully paid at par by way of capitalisation of the sum of USD23,000 standing to the credit of the share premium account of the Company.